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An Announcement

Beginning in September, John O'Sullivan will assume the editorship of *The National Interest*. Most recently Editor-in-Chief of United Press International, Mr. O'Sullivan has had a long and distinguished career in journalism—including as editor of both *National Review* and *Policy Review* magazines. He has held senior posts with the *Times* of London, *Daily Telegraph* (London), *New York Post* and Canada's *National Post*; served as a special advisor to British Prime Minister Margaret Thatcher; and is the founder and co-chairman of the New Atlantic Initiative. In addition to his post at *The National Interest*, Mr. O'Sullivan will concurrently become a Distinguished Fellow in International Affairs at The Nixon Center.

The National Interest's publishers, board members and staff expressed confidence that this new chapter in the magazine's history will build upon the exceptional legacy that has been created over the past 18 years. Conrad (Lord) Black, Chairman of the Editorial Board, described John O'Sullivan as "an outstanding editor as well as a thoughtful policy analyst and an elegant writer. His extensive experience will make a major contribution to expanding *The National Interest's* already formidable reputation." Publisher James Schlesinger also welcomed O'Sullivan's appointment: "Sensible thinking about U.S. interests is growing less frequent in today's complex and rapidly changing international environment. John O'Sullivan's clear vision for America's role in the world will ensure that *The National Interest* remains a major player in our country's foreign policy debates." Co-Publisher and Nixon Center President Dimitri K. Simes said, "Not only is John a proven leader who knows how to set the direction of a magazine, he is also widely respected for his intellectual openness. We look forward to working with him both in continuing *The National Interest's* proud tradition and in responding to the new world of the 21st century."

We are confident that our growing readership will continue to choose *The National Interest* for the most insightful and intelligent commentary on foreign affairs and foreign policy for years to come.

The National Interest is the premier organ of American foreign-policy realism: not *realpolitik*, but the oldest American foreign policy of Washington and Hamilton, that seeks to advance our ideals and interests while avoiding what James Burnham would call "politics as wish." Who better to edit the journal than John O'Sullivan, who was one of the first to discern the salient features of the postwar world—the danger of a runaway Europe, the threats posed to national sovereignty by feckless treaties and porous borders? O'Sullivan also has the ardent respect for America that is given perhaps only to Britons (think Churchill, Thatcher, Blair). Special bonus: He knows his champagne. *The National Interest*, and the national interest, will be well served indeed.

—*National Review*
September 1, 2003

The Theological Iron Curtain

A Foreign Policy Strategy for Engaging the Muslim World

—Senator Joseph Lieberman—

TWO YEARS after the fateful attacks of September 11, the United States remains locked in an epic struggle with a new nemesis—international terrorism. Like fascism and communism before it, terrorism poses a direct threat to our interests and values, and fundamentally challenges the international order on which our security, liberty and prosperity depend. Eliminating this threat must be one of the highest priorities of U.S. foreign policy.

Winning this war requires that the United States maintain its military dominance and forcefully apply it to deter and defeat tyrants and terrorists alike. Destroying the Taliban in Afghanistan and removing Saddam Hussein's brutal regime in Iraq—both of which were incubators of hateful violence—were critical to our global counter-terrorism campaign. These wars were just, and our military victories in each have made the United States and the world safer by depriving terrorists of safe havens, funding and support.

The war against terrorism will not be won by military means alone, however. The September 11 attacks epitomized the larger, more amorphous threat we face

from fanatics who find justification for evil behavior in Islam. These militants are not only targeting the United States and our allies, but are also engaged in a great civil war with the vast majority of their fellow Muslims who do not share their beliefs or behaviors. It is a war of ideas as much as it is a war of arms. And as such, we cannot rely just on the use of force to protect ourselves.

The Islamic world is beset by political, economic and cultural trends that have limited freedom and increased isolation, repression and anti-American anger over the last generation. These include vast income inequalities, economic and political isolation, cultural balkanization and little or no popular participation in government through which to constructively channel and resolve this strife. Islamic terrorism grew in this swamp—not in a vacuum.

Yet, there are extensive traditions of tolerant and moderate Islam, ones that can support and engender political and economic reform. These types of Islam, practiced by the vast majority of people in the Muslim world, are targeted by the radicals. The moderate majority—which understands that there is great promise for progress for nations that undergo internal modernization and seek to engage with the rest of the world—is under assault by the ethnocentric, extremist few who blame external powers for all

The Honorable Joseph Lieberman is a member of the United States Senate from Connecticut and a candidate for the nomination of the Democratic Party for President.

their ills. And they see jihad—the virtueless cycle of violence, repression and revenge—as the only answer.

Half a century ago, ideological extremists drew a political iron curtain across Europe. Today, the fanatical forces of jihad are trying to build a “theological iron curtain” to divide the Muslim world from the rest of the globe—a Berlin Wall built with bricks made from the frustrations and anger that arise from conditions of poverty and tyranny, and cemented by the mortar of hatred and violence.

It is still not too late to stop this theological iron curtain from falling. But the more we wait, the more we risk. The United States must act now—proactively, aggressively and in cooperation with our allies—to help moderate Muslims throughout the world who are being besieged by isolation and intolerance. For if the curtain should someday fall, it would be a grave danger to our own security and could bring awful repression to the hundreds of millions of Muslims trapped behind it. In Taliban-controlled Afghanistan, we had a glimpse of the horrors fanatics can perpetrate against the populations under their control—as well as the destruction that could be wrought by terrorists living under their protection.

American actions since September 11 showed that we can have a powerful impact. During a bipartisan Senate delegation trip to Central Asia in the wake of our victory in Afghanistan two years ago, I saw heartening evidence of the secondary effects of America’s resolve, with regional leaders taking a clearer and stronger stand for moderation and modernity than they had before September 11. We have empowered them to give voice to their moderate message and to provide leadership to fight the forces of fanaticism.

The Bush Administration, however, has too often failed to capitalize on our progress. In a pattern emerging in post-

war Afghanistan, Iraq and elsewhere, the United States takes forceful action to drain the swamps that breed terrorism, but fails to adequately seed the garden to enable peace, prosperity and democracy to take root and to prevent terrorism from returning. Moderates are competing with extremists for control in the vacuum our military victories leave, with precious little support from the United States and its allies. Should the forces of fanaticism prevail in these postwar struggles, the theological iron curtain will undoubtedly descend, and behind it, terrorism will fester.

Reorienting Diplomacy Around Human Rights

OUR STRATEGY to stop the theological iron curtain from falling should begin with a fundamental reassessment of our diplomatic relations with many Muslim nations. We should start with a clear and correct understanding of the diversity and breadth of the world’s population of 1.2 billion Muslims. Less than a fifth of the world’s Muslims are Arabs. Many Muslims live under democratic governments in countries like India, Indonesia and Turkey, and also across Western Europe and the United States. Islam, one of the world’s great religions, is a powerful and positive presence all throughout the globe.

But it is also true that too many people in Islamic countries are struggling to thrive against difficult odds. According to a recent Freedom House survey, 38 of the 47 Muslim-majority countries in the world are not democracies; 19 percent of countries in the Islamic world have democratically-elected governments, compared to 77 percent in the non-Islamic world. And over the last twenty years, the nations of the Islamic world have grown increasingly less free, experiencing a “significant increase in repressive regimes” as

the world at large moved dramatically in the opposite direction.

Where has American policy been? For too long, our government has looked the other way while many regimes in Muslim nations have denied their citizens human rights and economic opportunity. Our alliances with and aid to some of these regimes naturally make us targets of citizens of those countries. The American people know the United States has a proud record, in the last decade alone, of protecting Muslim people around the world from oppression—in Kuwait, Somalia, Bosnia, Kosovo and now Afghanistan and Iraq. We have an equally proud tradition of creating and nurturing freedom of religion here at home—enabling Islam to flourish within our own borders. But many in the Muslim world are blinded to these realities by our close alignment with regimes whose behavior is inconsistent with the American values we otherwise work so hard to uphold and defend. The United States should steer a new course—one closer to American values and closer to the values that grow from our common humanity.

We can and must demonstrate to ordinary people throughout the Islamic world that the United States will take risks to support their freedom, aspirations and quality of life. We must make those values a premise of our alliances and a condition of our aid. The inalienable, God-given rights to life, liberty and the pursuit of happiness do not end at America's borders. That means, among other things, that the United States must be a vocal proponent of women's rights throughout the Muslim world. For years, the United States has muted its support for the rights of women for fear of upsetting its relationship with existing regimes. It is time to become a more outspoken advocate for the right of women to be educated, to live freely and to rise as far as their talents and hard work will take them, as they do in many Muslim coun-

tries today such as Turkey. A nation's economic productivity and quality of life can only increase when women, who comprise at least half of the human talent and skill in any economy, are more fully integrated into society.

Stagnating economies and stifling poverty also feed the fanaticism that has begun to emerge in many Muslim countries. Some there blame globalization for their woes, and a handful of American commentators have supported that thesis. In reality, the economic problem of the Muslim world is not that there is too much globalization, *but that there is too little*. Since 1980, as the population of the Muslim Near East (the Arab League plus Iran) has doubled, its share of world investment has fallen by half and its share of world trade by two-thirds. That means a smaller and smaller economic pie is being shared by more and more people.

How has that happened? While in recent decades, the world has torn down old economic barriers, many Muslim countries have fortified them. Most Middle Eastern countries maintain trade practices that are among the most burdensome in the world. Egypt, for example, imposes high tariffs and other barriers on imports of clothing. Syria bans imports of processed foods, puts a 250 percent tariff on cars and requires a license for all imports.

While other parts of the world have adopted mutually beneficial regional trade programs such as NAFTA, Mercosur and the ASEAN Free Trade Area, Middle Eastern nations have increased trade restrictions and sanctions on one another and the rest of the world. Half of the Arab League's 22 members (and Iran as well) remain outside the World Trade Organization (WTO). Thus, Middle Eastern export priorities receive little consideration in global trade negotiations. The net result is growing economic misery for growing numbers of people.

It does not need to be that way. Since

1999, Jordan has sharply cut tariffs and other trade barriers, launched an economic integration project with Israel and completed a full free trade agreement with the United States. The results are impressive. In the past two years alone, Jordan's exports to the United States have risen tenfold, and more than 25,000 jobs have been created in a country with a population of 5.5 million. Moreover, American workers have also benefited from these new economic opportunities.

Other governments in the Muslim world need to follow Jordan's lead. We in the United States can help them do that by inviting them back to the global economic table. We should encourage Muslim nations to embrace more open economies so that they can join the WTO. That would both spur further reform of their trade policies and help them succeed in export industries.

Just as the Clinton Administration helped Jordan, Oman and Bahrain enter the WTO, the Bush Administration should follow through with some of the larger economies in the Muslim world. Saudi Arabia, for example, applied to join the WTO in 1993, and we should actively support that effort in concert with Saudi Arabian economic reforms.

In Congress, we can help by adopting additional trade preference programs, including duty-free treatment and freedom from quotas for certain goods, for countries that prove themselves to be good global citizens. We passed a trade preference law for the countries of Africa in 2000, and it is working to help that part of the developing world control its own economic destiny.

Just as vital to the future as a freer flow of goods and services is a freer flow of information. In the Cold War, we understood that opening markets and opening minds go hand in hand. We have to understand that now as well.

Regrettably, in many Muslim-majority countries, governments allow their citi-

zens minimal access to news and information from outside and filter what news is made available. Official state-controlled media outlets are often brimming with inflammatory anti-American rhetoric, as we have seen in Iran and elsewhere. The result, not surprisingly, is a distorted understanding of the world—especially of the United States—and too many people willing to embrace anti-American conspiracy theories.

The United States must fill this information gap by intensifying its own message and also by cultivating responsible independent media in Muslim countries so that people can have the opportunity to absorb a more balanced view of world events. We must also make clear to our many allies in the Muslim world that we will no longer close our eyes and ears to the anti-American propaganda in state-run media and state-sponsored mosques and *madrassas*. A new commitment to foster responsible, independent communication is needed.

Yet, since the end of the Cold War, we have sold short many critical tools of public diplomacy. The United States Information Agency was eliminated, and State Department posts around the world have reduced the general public's walk-in access and closed the lending libraries that once stood open to all visitors. The United States Foreign Service, which represents the most significant official American presence overseas, has also been underfunded. We need to think and work long and hard about how to better convey our values not only to opinion leaders and elites, but to the people at large in the public square.

Young people tend to be the first to open their minds to new ideas and perspectives. That is why foreign exchange programs that bring students from the Muslim world to the United States to work, study or live must not become another victim of September 11. Student exchanges are critical in opening the world to American strengths and values,

and in opening Americans to the strengths and values of other countries and cultures. We need to strike the proper balance between ensuring U.S. security and keeping the door open for education—for there has been a marked decrease in the number of Arabs and South Asians coming to America for education since the new Immigration and Naturalization Service regulations went into force.

Money is the last part of the equation, and an important one. Helping Afghanistan rebuild itself will require substantial foreign aid and investment. We will have support from our coalition partners throughout Europe, Asia and the rest of the world—in fact, they will contribute more than 75 percent of the reconstruction costs. Ultimately, the future of Afghanistan will be up to the Afghan people themselves, but the United States must play a central role to provide security, leadership and targeted assistance to facilitate the transition process. The United States and our allies must work together to get this right, because the fate of the people of Afghanistan will be the first test of American involvement in the civil war of beliefs and behaviors that is now being waged in the Muslim world.

We already provide hundreds of millions of dollars per year to nations throughout the Muslim world, not to mention having taken on the responsibility of reconstructing post-Saddam Iraq. In each case, we now have to evaluate very carefully whether the people—the intended beneficiaries of our assistance—are benefiting from such aid. Are attitudes toward America improving? It is time to take a hard look at how we spend this money and where we might want to make new strategic investments and cut out old,

failing ones. This may mean re-targeting funds away from large-scale, government-run projects toward better public education systems, stronger public health infrastructures, more independent media outlets controlled by citizens and not the state, and reinforcement of the basic civic values of tolerance, equality and opportunity throughout these societies.

THE DUTY to “commend good and reprimand evil” is one of the core obligations of Islam, one that is echoed in the other two monotheistic faiths of Judaism and Christianity. It should also be at the core of our relations with the Islamic world. Since September 11, the United States has been working hard to reprimand evil with a fierce and focused military campaign that seeks to root out terrorist sanctuaries and end the threat posed by rogue regimes seeking weapons of mass destruction.

Over the long term, however, the fight for American security will require a parallel campaign to commend good by supporting freedom, tolerance, democracy and prosperity throughout the Muslim world. That is the best way to prevent a theological iron curtain from descending upon the Islamic world, suffocating the lives of millions of Muslims behind it and providing a base for terrorist attacks against us. The historian Edward Gibbon wrote that, “The greatest success of Mohammed’s life was effected by sheer moral force without the stroke of a sword.” So too will the greatest success of this long and noble struggle against terrorism by the United States, its partners and our Islamic allies be brought about by moral force—that is, the consistent application of our shared values. Together we will rise to meet that challenge and to seize that opportunity. □

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Taking Stock

The Bush Administration and the Roadmap to Peace

Dennis Ross

WHEN the Bush Administration assumed office in January of 2001, it shifted direction in a number of foreign policy areas. Nowhere was the shift in direction and priority more pronounced than in the approach to Arab-Israeli diplomacy. It was not only that the President would not be engaged; it was also that there would be no American envoy to the peace process. Indeed, in the first months of the administration, the very words “peace process” were banned from the public and private lexicon.

The policy was one of disengagement. A number of assumptions seemed to guide the new approach: the Clinton Administration erred in wanting peace more than the parties, with the President having been far too involved; Yasir Arafat was indulged too much; the new Ariel Sharon-led government in Israel would now rule out being able to achieve much; and U.S. interests in the region were threatened far more by Iraq. Dealing with that problem—as opposed to the Israeli-Palestinian conflict—was more likely to transform

the landscape of the area.

Whatever one thinks about the wisdom of America’s intensive, high-level engagement in the 1990s, disengagement from peacemaking efforts was clearly not the answer. In the first years of the Bush Administration, with very limited American diplomacy between Israelis and Palestinians, the *intifada* was transformed into a war with a vast escalation in the suffering on both sides. For Israelis and Palestinians alike, the price they paid for having no peace process was very high.

To put this in perspective, the number of Israelis killed in the first four months of the *intifada* (until the end of the Clinton Administration) was 42. By June 2003, over 800 Israelis had been killed. Palestinian fatalities went from 350 to nearly 2,500.¹ The wounded amount to ten to twenty times the numbers killed. The economies on both sides have also paid a severe price. While the Israeli economy is in crisis—having declined in absolute terms every year for the last

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¹In early 2001, *The Toronto Star* reported that 42 Israelis, as opposed to some 350 Palestinians, had been killed in the first four months of the Al-Aqsa *intifada* (“Global Effort is Necessary to Stop Pain in Mideast”, February 11, 2001). According to the Israeli Defense Forces (IDF), 841 Israelis have been killed in the period beginning on September 29, 2000, the start of the *intifada*, to August 2003.

three years—the Palestinian economy has been devastated. More than 60 percent of Palestinians are presently living below the poverty level, and 1.8 million in the West Bank and Gaza are now dependent on subsistence from the UN and other international agencies.²

But there has been another casualty as well: The psyches of both sides have been deeply wounded. Both Israeli and Palestinian publics have come to doubt whether they have a partner in peace on the other side. The problem is less a loss of confidence and more a loss of faith. And that cannot be restored overnight.

The Beginnings of Change

UNDER PRESSURE from Arab leaders, especially Crown Prince Abdullah of Saudi Arabia, the Bush Administration decided to re-engage in Middle Eastern diplomacy in August 2001. The President sent a private letter to the Crown Prince, establishing for the first time that U.S. policy would be to support a two-state solution to the Israeli-Palestinian conflict.³ In addition, the Saudis and others were told that the President would have a brief meeting with Yasir Arafat on the margins of the United Nations General Assembly meetings in New York.

None of this was announced, and September 11 interrupted the advent of a new diplomacy. Given the administration's understandable preoccupation with the war in Afghanistan, a new effort on Israeli-Palestinian diplomacy was put on the backburner. Notwithstanding limited efforts to produce a ceasefire later in fall and early winter 2001–02, the administration's reluctance to engage itself seriously remained the guiding principle of its approach. The hesitancy was reinforced by perceptions that Arafat was doing little to stop terror, had frustrated General Anthony Zinni's effort to negotiate a ceasefire agreement, and had lied to the

administration about trying to smuggle Iranian arms into the territories. Following the IDF's sweep of West Bank cities and an unproductive trip to the region by Secretary Powell in April 2002, the administration again came under increased pressure to do something.

The result was President Bush's speech of June 24, outlining his vision for peace-making. He publicly called for a two-state solution to the conflict. However, by emphasizing a performance-based approach to peace, he effectively told the Palestinians that if they wanted a state they would have to earn it. They must reform themselves, build credible institutions, end corruption, fight terror and create an alternative leadership untainted by terror. If the Palestinians did all this, Israel needed to accept statehood and "end the occupation that began in 1967."⁴

²On July 17, 2003, *The Financial Times* reported that 50 percent of the Palestinian population is currently unemployed, while 60 percent lives below the poverty line (Christopher Patten, "A Road Map Paid for in Euros", *The Financial Times*, July 17, 2003). In his speech on May 26, 2003, Prime Minister Sharon mentioned the dependence of over half the Palestinian population on foreign aid as a key determinant for ending the occupation. Speaking before the Knesset, the Israeli premier asked, "Today, 1.8 million Palestinians live thanks to support from international organizations. Do you want to take responsibility for them yourselves?" (Chris McGreal, "Peace hopes lie heavy on new force", *The Guardian*, June 3, 2003).

³While the Clinton parameters presented to the two sides in December 2000 would have provided for an independent Palestinian state, the parameters represented ideas to resolve the differences between the two sides, were never stated as formal policy, and were withdrawn at the end of the administration.

⁴Published on April 30, 2003, the roadmap called for a comprehensive solution to the Arab-Israeli conflict based on two states, Israel and Palestine. Linked to this resolution, the

While long on exhortation and short on plans, the President's speech did create a new basis for the international community to address the issue. Palestinian reform became the focal point for activity, with emphasis put on creating transparency and accountability in the Palestinian Authority (PA). But translating this new emphasis into a new reality on the ground was bound to be difficult. There was nothing immediately practical in terms of what had been proposed. Reform as an objective was very important, but it was unlikely to be achievable unless the Israelis would relax their grip on the territories so reformers could move, meet and plan. For its part, the Israeli government might be a supporter of Palestinian reform—particularly if it meant sidelining Arafat—but it was not inclined to relax its grip on the territories if the result of doing so would be new terror attacks in Israel.

The stalemate remained. Finding a mechanism to act on the President's vision is what gave birth to the concept of a roadmap.

Tactical Objective, Strategic Consequence

IRONICALLY, it was Arab leaders who initially raised the concept of a roadmap, notwithstanding their concern that the President's speech demanded too much from Palestinians and too little from Israelis. Desperate for the United States to intervene, they embraced the President's ultimate vision but called for a plan—a roadmap—to get there.

Here again, the administration did not rush to develop a roadmap. Arab leaders and Europeans were pleading for one to act on the President's words. Both argued that the U.S. position in the Middle East was being threatened by the administration's reluctance to defuse the Israeli-Palestinian war and its apparent eagerness to go to war with Saddam

Hussein. Faced with the uncertainty of who to deal with on the Palestinian side and with the tactical need to gain support for its Iraq policy—or at least the prospect of acquiescence in it—the administration agreed to work with the EU, the UN and Russia in forging a roadmap to carry out the President's vision. While the United States would not let these other countries determine its response to Iraq, it would let them shape the conduct of U.S. diplomacy between the Israelis and Palestinians—an unprecedented step in the U.S. approach to Arab-Israeli issues. Few things better indicate that the real objective here had less to do with Middle East peace and much more to do with the Bush Administration's Iraq policy. Arabs, Europeans and others would find it easier to tolerate what the United States was doing in Iraq if the administration could point to its making a serious effort on Israeli-Palestinian peace—or so the thinking went.

This tactical objective led to a reversal of the traditional approach to Arab-Israeli diplomacy. Rather than working out understandings with the parties, the administration engaged in a negotiation

roadmap specifies, "the settlement will resolve the Israel-Palestinian conflict, and end the occupation that began in 1967, based on the foundations of the Madrid Conference, the principle of land for peace, UNSCRs 242, 338 and 1397, agreements previously reached by the parties, and the initiative of Saudi Crown Prince Abdullah—endorsed by the Beirut Arab League Summit—calling for acceptance of Israel as a neighbor living in peace and security, in the context of a comprehensive settlement." During his speech on June 24, 2002, President Bush outlined a similar principle, defining the parameters of a two-state solution to mean "that the Israeli occupation that began in 1967 will be ended through a settlement negotiated between the parties, based on UN Resolutions 242 and 338, with Israeli withdrawal to secure and recognized borders."

with the members of the Quartet (the United States, EU, UN and Russia). Consequently, the roadmap reflected agreement with parties that had no responsibility for carrying out even one of the steps for which they were calling. Conversely, the parties that would have to implement these steps were presented the roadmap after the Quartet had already agreed to it. They were each offered the opportunity to make comments but not to engage in a negotiation about its content or how it might actually be implemented. Perhaps the need to avoid negotiating with Yasir Arafat—as well as the desire to have an international consensus that would be difficult to reject—influenced the administration's approach.

By definition, however, the roadmap could never be brought to life if it were based only on the understandings of outsiders. Indeed, it could only materialize with clear and unambiguous understandings between the “insiders” on what each side would actually do, when they would do it, where they would do it and how they would do it. Not surprisingly, the roadmap, once unveiled, could not actually be launched without an agreed trigger. Though President Bush publicly announced the roadmap in March, before the beginning of the war in Iraq, it took active diplomacy in June, after the Aqaba summit to produce an agreement on initial steps that each side might take.

The Impact of the War in Iraq

DEFEATING Saddam was never going to yield peace between Israel and the Palestinians. The conflict between two national movements with competing historic claims to the same territory was not created by Saddam Hussein and was not going to be resolved by his demise. But the war and the fall of Saddam's regime did have an impact on U.S. diplomacy and on

the Israelis and Palestinians. For his part, President Bush—as part of the effort to build support for the war—made promises to a number of leaders, including Arab leaders, that he would make a serious effort on Israeli-Palestinian peace after dealing with Saddam Hussein. The more he repeated this privately, the more he became sincerely wedded to doing it, and the roadmap, whatever the initial motives the administration had for it, suddenly became the President's avowed policy.

As for the Israelis and the Palestinians, neither wanted to say no to President Bush, who glowed in the aftermath of Saddam's defeat. Prime Minister Sharon—knowing that most Israelis believed that the United States had removed a strategic threat to Israel—was not about to reject an initiative by the triumphant President. Similarly, neither Arafat nor Palestinian reformist leaders had any interest in denying a U.S. initiative under these circumstances. On the contrary, Palestinians sought the intervention of the world's only superpower to transform the situation on the ground.

There is a big difference, however, between avoiding saying no, on the one hand, and actually saying yes to the specifics of what the United States might be asking, on the other. Not rejecting the U.S. initiative was consistent with wanting to stop the war. Saying yes might mean moving toward the difficult decisions involved in peacemaking. Such a positive response requires a different mindset—one which must demonstrate a willingness to confront constituencies that resist compromise and think not only in terms of their own political needs but their counterpart's as well. While Saddam's defeat did not necessarily create these impulses on either side, it did suggest that change was possible and that the moment should be seized at least to produce relief for both sides.

In this sense, the President's initiative came at a moment when both Israelis and

Palestinians were ready to stop the day-to-day struggle that was imposing such pain on each of them. On this point, they basically agreed. Their “agreement” did not extend to the content of peace negotiations or even to the content of the roadmap. But it did reflect important developments within each society.

New Realities

AMONG Palestinians, the attitude toward the violence had begun to change in the period preceding the war in Iraq. Though a majority of Palestinians favored violence from the beginning of the *intifada*—especially as a way to inflict pain on Israelis who were inflicting pain on them—this sentiment began to change in early 2003. In February, polls indicated that a slim majority now opposed the violence. By June, that slim majority became a more decisive one, with 73 percent of the Palestinians in the territories favoring an end to it.⁵ Palestinians were longing for a return to a more normal life—one in which the Israeli siege could be lifted and movement of people and goods could be restored. No end to the violence would mean no lifting of the checkpoints.

Under duress, Yasir Arafat appointed Mahmoud Abbas (Abu Mazen) as the first-ever prime minister of the Palestinian Authority. The administration skillfully used the Palestinian desire for American intervention to increase the pressure on Arafat to make the appointment, saying it could only unveil the roadmap when there was a credible prime minister. Arafat may have made the appointment only because of international pressure, but it was Palestinian reformers who first raised the idea of a prime minister. Indeed, Palestinian pressure on Arafat for reform pre-dated President Bush’s June 24 speech, emerging when no one predicted it. Following the Israeli operation “Defensive Shield” of March–May 2002, in which the

IDF entered every Palestinian city in the West Bank except Jericho and destroyed extensive parts of the old cities of Jenin and Nablus as they sought to root out terrorist cells, most observers expected the Palestinians to be driven by their anger at Israel. No doubt there was anger, but the overwhelming sentiment in the territories after Defensive Shield was the desire for reform. Reconstruction was what Palestinians wanted: they did not want to reconstruct the “rot” that had been Yasir Arafat’s government.⁶

Palestinians were not prepared to embrace efforts to unseat their icon Yasir Arafat, but they wanted him to share power. The emergence of Abu Mazen as prime minister represented what reformers had sought, even if his cabinet, being the product of difficult negotiations with Arafat, was not exactly what they had in mind. No one on the Palestinian side had more consistently opposed violence than Abu Mazen. At one point, he publicly challenged those, including Arafat, who argued for the *intifada*, saying that it yielded the opposite of their stated goals: it extended Israeli occupation, tightened

⁵A survey conducted by the Palestinian Center for Policy and Survey Research from June 19–22 found that 73 percent of Palestinians favored a *hudna*, a one-year voluntary cessation of violence against Israelis. Moreover, 80 percent of respondents favored a joint Israeli-Palestinian ceasefire of unlimited duration.

⁶A poll conducted by the Palestinian Center for Policy and Survey Research from May 15–18, 2000 found that 91 percent of Palestinians supported “fundamental reforms” in the Palestinian Authority. Equally noteworthy, respondents favored a number of specific actions by a wide majority—including 85 percent supporting unification of security services, 95 percent supporting the dismissal of ministers accused of mismanagement or corruption, 83 percent supporting holding elections and 92 percent supporting the adoption of a basic law or constitution.

the Israeli control of East Jerusalem and strengthened Prime Minister Sharon. To Abu Mazen, the continued violence was producing a disaster for Palestinians and threatening the cause itself.

The new Palestinian Prime Minister was not alone in this assessment. Critical support for stopping the violence came from Tanzim leaders. The Tanzim are the Fatah activists who control much of the grassroots organization, especially in the cities of the West Bank. Though Marwan Barghouti is certainly the most prominent Tanzim leader, the Tanzim tends to be more of a horizontal than a vertical organization. Their leaders produced the first *intifada* from 1987–90 and have played an important role in the second one. As several of their leaders explained to me in June, they initially believed that this *intifada* would prove to the Israelis that force would not work on the Palestinians. Instead, it was now clear that force could work against either side. Worse, as the *intifada* continued, their agenda of a two-state solution, produced through negotiations, was being supplanted by the Hamas agenda of ongoing struggle. Lest there be a break in the situation, they were now concerned that the ability to produce a two-state solution could be lost.

The push for a ceasefire came strongly from the Tanzim and certainly also reflected the mood of the Palestinian public. In these circumstances, Hamas was not about to oppose a ceasefire, believing that it could use the respite to rebuild, and that sooner or later the Israelis would create a pretext for going back to the struggle.

In Israel, there was also a readiness to transform the situation. Certainly, the Israeli public was ready for it, with two-thirds opposing the resumption of targeted killings by the IDF.⁷ But coupled with the desire to see the violence end was a feeling that the Palestinians, having imposed the recent violence on

Israel, must show they were serious about stopping it.

With the emergence of Abu Mazen as prime minister, the Israeli public and Prime Minister Sharon saw an opportunity. With President Bush's initiative, he saw a need, but the ongoing economic crisis in Israel also motivated him. Sharon came to believe that Israel's economy could not recover unless the war with the Palestinians stopped—and for the first time he publicly began to say so. His call to his constituency to understand that Israel must give up the occupation and be ready to “divide the land” was justified in terms of the occupation not being good for Israelis, for Palestinians or for “Israel's economy.”

Exhaustion on both sides certainly helps to explain why there may now be a moment to end the war and resume a peace process. Can a peace process now be successful? Is the roadmap the vehicle for producing success?

*The Problems Ahead*⁸

THE ROADMAP is not a detailed plan. Having been forged with outside parties, it lacks the clarity and definition to be any-

⁷Following the failed IDF attack against Hamas leader Abdelaziz Al-Rantissi, a poll published in the Israeli daily *Yediot Ahronot* found that 67 percent of Israelis opposed the recommencement of targeted killings. Within that group, 58 percent backed a temporary suspension of strikes against militant leaders in order to afford Abbas an opportunity to curb the activities of extremist groups. Only 9 percent of Israelis objected to the policy of targeted killings irrespective of circumstances (“Poll: Israelis Oppose Military Strikes”, *Associated Press*, June 13, 2003).

⁸This issue was going to press as Prime Minister Abbas resigned on September 6, but the prescriptions for Abbas contained herein apply equally to his successor.

thing other than a set of guidelines. Its basic concept makes sense: establish mutual obligations and phases designed to restore an environment in which the two sides can, in time, once again tackle the core issues of the conflict.⁹

Truth be told, the roadmap tries to create a pathway that restores the core bargain of Oslo: The Israelis get security. The Palestinians get their freedom. Both sides assume responsibilities to fulfill their side of that bargain. This is a fair sounding proposition in theory, but devilishly difficult to translate into reality.

The two sides were not involved in developing the roadmap, so it should come as no surprise that they would each try to redefine it. The Israelis have been public about their concerns and created 14 conditions—primarily related to security and sequence—that the current administration has promised to “take into account.” The Palestinians have publicly accepted the roadmap without qualification; nonetheless, they are trying to redefine it in its application. For example, the *budna*, or truce declared as an agreement among Palestinian factions, is not a part of the roadmap. There is supposed to be an immediate, unconditional ceasefire, with the commencement of arrests and the dismantling of terrorist infrastructure. But Abu Mazen explained that he needed to build his capabilities before taking on the main Palestinian obligations in the first phase of the roadmap. He is betting that, with calm, the Israelis will take steps both within and outside of the roadmap that will allow him to show he is delivering. By showing that his way works, that life for Palestinians improves, he will build his authority and his leverage on groups like Hamas.

The irony is not lost on the Israelis: a roadmap that was to pressure the Palestinians to produce first on security issues before Israel had to take difficult steps is one that in practice pressures the Israelis to perform prior to Abu Mazen

fulfilling his side of the bargain. Indeed, this irony even extends to items not in the roadmap—neither Palestinian prisoners nor the “fence” are addressed in the roadmap, but releasing prisoners and halting construction of the security fence in the West Bank have become part of the new list of Palestinian needs. Israel, recognizing its stake in Abu Mazen’s success, released some prisoners, lifted some checkpoints and even planned additional withdrawals. But the Israelis were never likely to withdraw extensively prior to seeing more of a Palestinian effort to constrain terrorist groups and their capabilities in additional areas of the West Bank. Moreover, Sharon was unlikely to carry out the tough steps that the roadmap calls for in the first phase—freezing all settlement activity and dismantling all unauthorized settler outposts established since March 2001—before seeing Abu Mazen take the tough decision to dismantle terrorist infrastructures in the West Bank and Gaza.

Even should Abu Mazen begin to build his authority, it will not be easy to dismantle the terrorist infrastructure. Old habits die hard, and Palestinians abhor the idea of civil conflict (*fitna*). Moreover, there is another paradox: the longer the *budna* goes on, the more Palestinians will likely say, “why rock the boat? Why invite civil war?” For the Palestinians, and the Arab world generally, Palestinian obligations in the roadmap have come to be

⁹The first phase is designed to produce Palestinian reform and Israeli security, with the Palestinians cracking down on the infrastructure of terror in their areas and the Israelis withdrawing their forces to where they were in September 2000. The second phase involves the creation of a Palestinian state with provisional borders, creating at least juridical equality between Israelis and Palestinians as they negotiate on the existential questions of borders, Jerusalem and refugees. The third phase is supposed to resolve those basic questions.

understood as doing the *budna* and nothing more. Somehow, everything else is up to the Israelis.

Naturally, Yasir Arafat adds to Abu Mazen's challenges in this regard. While claiming that he accepts the roadmap, Arafat opposes the disarming of the groups—especially the Al-Aqsa Martyrs' Brigades—and criticized Abu Mazen for not getting more from the Israelis for the ceasefire. Recall that the roadmap calls for an immediate, unconditional ceasefire. This was not something to be negotiated but adopted. For Arafat, however, highlighting Abu Mazen's failings are essential to demonstrating his own indispensability. He needs Abu Mazen to fail to prove that he (Arafat) is not the problem. In this regard, Arafat's own iconic status, as well as his control of half of the security apparatus, makes him a formidable obstacle to implementing the roadmap.

Does this mean the roadmap cannot succeed? No, but it is important to remember that, at this stage, the parties are not even talking about the core issues of the conflict. To succeed, even on the initial challenges of the first phase, very intensive U.S. efforts will be required.

Lessons from the Past

ISRAELI AND Palestinian expectations about the roadmap continue to be different. The United States cannot afford for each to believe that the other will take certain steps when it cannot or will not. If Abu Mazen cannot deliver soon in certain areas, we must work out what he will do, when he will do it and what he needs from the Israelis to do it. For example, even more than releases of prisoners, Abu Mazen urgently needs to show that checkpoints are being lifted and, at least in some areas of the West Bank, the transit of people and goods is being restored. What do the Israelis require to withdraw from certain cities and the areas around them? What

kind of responsibilities must they see the Palestinian security forces assuming to enable them to do this? If there are acts of terror, what would it take for the Israelis to refrain from carrying out targeted killings? The administration's role now must be to pose, and help resolve, such questions.

On the basic issue of dealing with the terrorist infrastructure—which will soon confront Abu Mazen in a moment of truth—the United States needs to take several steps. First, it will need to publicize what is expected of both sides. Abu Mazen will need a public posture from the United States on the Palestinian obligations under the roadmap to explain why certain actions are necessary, especially if the Palestinians are to see performance from the Israelis. (Sharon will need this no less than Abu Mazen.) Second, the United States should conduct three-way security discussions with the Israelis and the Palestinians and reach an understanding on which steps would be most feasible for dealing with the terrorist infrastructure. While the Palestinians have every reason to emphasize the daunting nature of this challenge, the history of confronting Hamas should not be ignored. In the past, when there were confrontations with the PA, it was Hamas that always retreated, and it was not only because of relative strengths but also because they, too, shied away from civil war. Third, Abu Mazen and Muhammad Dahlan, the Palestinian minister of security, need capabilities—especially vehicles, command and control support and communications equipment—which the United States has promised but not yet provided. This should be a high priority, and, if we have a problem furnishing it quickly, the Bush Administration should go to its European or Arab partners to fill the gap. (In 1994, the United States provided vehicles from excess stocks in Europe, and Secretary of State Warren Christopher literally arrived with a C-130

carrying vehicles for the Palestinian police.)

This raises the larger question of assistance. The Israelis are not the only ones who can take steps to demonstrate that Abu Mazen is delivering. Knowing its stake in showing that Abu Mazen is making a difference for Palestinians, the administration should have focused on generating a rapid infusion of material assistance. It should have used the G-8 for this purpose; it should now organize a donor conference with very specific targeted projects in mind. Everywhere the Israelis pull out, there should be highly visible projects to aid in the reconstruction immediately. Abu Mazen must be seen not only affecting Israeli behavior, but also producing tangible assistance from the international community quickly. This, of course, also requires Abu Mazen to identify critical projects with Palestinian managers ready to take charge of them with their international counterparts.

Politically, the administration will also have to give meaning to its readiness to monitor the implementation of the roadmap. John Wolf, the head of a U.S. monitoring team, cannot perform that role adequately unless clear standards of performance are established. The roadmap created the illusion of specificity. It contains 52 paragraphs, with extensive obligations enumerated for each side. Monitoring of its implementation ought to be straightforward, but it is not because each side interprets each obligation differently. The Israelis interpret the Palestinian obligations—making arrests, collecting illegal weaponry and dismantling terrorist capabilities and infrastructure—far more expansively than the Palestinians. In turn, the Palestinians interpret the Israeli responsibilities—improving the humanitarian situation, stopping the confiscation of property, dismantling unauthorized settler outposts and freezing all settlement activity, including natural growth—far more

expansively than the Israelis. Presently, there is no definition of what would constitute performance by either side. Whose interpretation are we monitoring? What constitutes fulfillment of obligations?

One of the most important failings of the Oslo process was its lack of accountability. Absent this, neither side felt it necessary to fulfill its obligations. This is a critical lesson from the past, and President Bush has been right to say that the United States will hold each side accountable. But there will be no way to do so until very clear standards of what constitutes progress on every obligation.

If the United States imposes its own criteria without discussing the matter both bilaterally and multilaterally, it runs the risk of creating standards that cannot be met. The Bush Administration must strike a balance between what is feasible and also meaningful—without getting into long, drawn out negotiations with each side and the other members of the Quartet. But the administration will have to resolve the issue of standards, preferably sooner rather than later, all while recognizing that it may make one or both sides unhappy in the process.

This sounds like a daunting task, and indeed it is. Unfortunately, no peace process can be had on the cheap. Maybe, the United States can sustain a period of calm for longer than three months because both sides want a tactical respite. But at this point the administration has not yet re-established a peace process. Obligations are being avoided more than they are being implemented. If the ceasefire is to last, if the current moment is to be translated into something more than only a ceasefire, then the United States is going to have to do what it takes to create accountability—a goal to which the administration has not yet come close.

Two other lessons from the past must be integrated into the administration's approach. Israeli and Palestinian leaders must condition their publics for peace,

and Arab leaders must assume real responsibilities. Oslo was plagued by the absence of any serious or systematic effort to get both publics ready for compromise. On the Israeli side, under Barak there was at least some conditioning, even if it was largely done through press leaks. Somehow, at any rate, the far-reaching concessions that Barak contemplated came as no surprise to his public. Palestinians, on the other hand, were never told they would have to compromise on the core issues. On the contrary, Arafat repeatedly emphasized to the Palestinians that they would get everything, never suggesting they might have to compromise.

At this point, Ariel Sharon has begun speaking about painful compromises and the division of the land. He has accepted Palestinian statehood. But this is a state without borders, powers or a capital. No one should expect Sharon to offer his fundamental concessions in advance of a negotiating process, but at some point the Israeli public needs to hear that Israeli withdrawals will form a part of a negotiating process; that Israel must give up control of Palestinians; that no viable independent Palestinian state can be surrounded by Israel; and that a viable Palestinian state must have territorial contiguity, not an illusory contiguity that would come by connecting different parts of the West Bank by tunnels and bridges.

For his part, Abu Mazen needs to build his authority before he can begin to condition Palestinian attitudes towards compromise on existential questions of self-definition and identity. But sooner or later this will be necessary. It will not be easy, given a history in which any compromise on the core issues has been treated like a betrayal. It certainly will not be easy as long as Yasir Arafat retains a leading role: he will accuse Palestinian leaders of selling out if they even hint at accepting less than total capitulation on borders, the status of Jerusalem and refugees.

That, of course, is exactly what peace requires: curbing expectations and surrendering mythologies.

This is why Arab leaders must assume responsibilities in the process. Ariel Sharon cannot prepare his public to make hard choices if the Palestinians are avoiding making any of their own. There will never be a Palestinian state unless the Palestinian leadership is willing to confront those who remain determined to use the territories to attack Israelis. So long as the terrorist infrastructure is intact, how can a Palestinian state—even one with provisional borders—be recognized? To confront groups like Hamas, Islamic Jihad and the Al-Aqsa Martyrs' Brigades, Abu Mazen and the Palestinian leadership will need Arab public backing. They will need the umbrella of legitimacy that Arab states can provide.

Arab backing is also a prerequisite for neutralizing Arafat and for justifying the idea of making hard compromises. This Arab willingness must consist not simply in pressuring Arafat, but also in it publicly criticizing his efforts to subvert Abu Mazen's policies. Few steps are more likely to temper Arafat's behavior than the possibility that the Arabs question him publicly on his stewardship of the Palestinian cause. Arafat has always directly identified himself with the cause, and Arab leaders have tacitly accepted that formulation.

Similarly, an Arab willingness to broach the idea of compromise to the Palestinians could make it far more palatable for Palestinians to do so. Supporting the need for internal confrontation when necessary, neutralizing Arafat and being prepared to reaffirm the necessity of compromise on the part of the Palestinians as well as the Israelis would represent a sea-change for the Arab world and give a genuine peace process a chance to succeed. A sea-change, indeed, for Arab leaders have always found it useful to pledge their hearts and souls to the Palestinian cause—provid-

ed, of course, that it cost them nothing.

Surely, no single cause in the Arab Middle East is more evocative than the Palestinian one. No one wants to be on the wrong side of this issue. No single Arab leader wants to be accused by Arafat of asking the Palestinians to surrender their national rights, and this is the real reason no one criticized Arafat for turning down the Clinton ideas in December 2000, even as President Mubarak, Crown Prince Abdullah of Saudi Arabia, King Abdullah of Jordan, President Ben Ali of Tunisia and King Mohammad of Morocco all conveyed to President Clinton the sentiment that the ideas were historic.

Arab leaders must assume their proper role, or there will be no success in the near term, when Abu Mazen must confront Hamas and company, or in the long

term, on the core issues, without Arab leaders assuming their part. Their own insecurity and sense of vulnerability may again intrude on their assuming responsibilities. The key will be how they evaluate the impact of a continuing war between Israelis and Palestinians on their polities and their rules. Will it foment anger towards them on their streets? Or will it remain an issue that generates anger and hostility that can be more easily deflected onto the United States?

One thing is certain: No peace process will succeed without the Arabs. If they decide that their stability depends on ending the conflict, they may finally do their part. In such a circumstance, the United States will have to do its part, which includes making sure that no one is let off the hook. □

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Going Critical

American Power and the Consequences of Fiscal Overstretch

—Niall Ferguson & Laurence J. Kotlikoff—

. . . the interesting subject of the finances of the declining empire.

—Edward Gibbon, *Decline and Fall of the Roman Empire*, Book I, ch. XVII

TOPPLING THREE tyrannies—that of Slobodan Milosevic, the Taliban and now Saddam Hussein—within four years is no mean achievement by the standards of any past global empire. What makes this achievement so remarkable is that it comes little more than a decade after a wave of anxiety about American “overstretch” and decline. In *The Rise and Fall of the Great Powers*, Paul Kennedy warned that the United States was running “the risk . . . of what might roughly be called ‘imperial overstretch.’” America, he maintained, was spending too much on its overseas military commitments, to the detriment of the U.S. economy. Under such conditions, “The only answer to the question”, as to whether the United States could remain a superpower, was “no.”

As John Maynard Keynes once said, when the facts change, one ought to change one’s opinion. Writing last

September about America’s subsequent ascent from superpower to “hyperpower”, Kennedy invoked the *deus ex machina* of the “revolution in military affairs” to explain why his predictions of overstretch had not been fulfilled. All that investment in military research and development of which he had been so disapproving back in the 1980s had paid an unforeseen dividend.¹ Not only did the Soviet Union collapse as it strained to match the Reagan-Weinberger arms extravaganza; the United States also went on to collect a triple peace dividend in the 1990s: falling defense spending as a share of GDP, accelerating economic growth and a quantum leap in military capability that left all other states far behind.

The irony is that Kennedy’s original thesis of *fiscal* overstretch is now about to be vindicated—but not as a result of America’s overseas military commitments. Today’s overstretch is the result of chronically unbalanced *domestic* finances, primarily the result of a mismatch between earlier social security legislation, some of it dating back to the New Deal, and the changing demographics of American society. In just five years’ time, 77 million “baby boomers” will start collecting Social Security benefits. In eight years, they will start collecting Medicare benefits. By the time they are all retired in

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¹Paul Kennedy, “Power and Terror”, *Financial Times*, September 3, 2002.

2030, the United States will have doubled the number of its elderly population but increased by only 18 percent the number of workers able to pay for their benefits. Over time, a falling birthrate and lengthening life expectancy are indeed a potent combination.

A Menu of Pain

ECONOMISTS regard the commitment to pay pension and medical benefits to current and future elderly as part of the government's "implicit" liabilities. But these liabilities are no less real than the obligation to pay back the principal plus the interest on government bonds. Politically speaking, it may be easier to default on explicit debt than to stop paying Social Security and Medicare benefits. While no one can say for sure which liability the government would renege on first, one thing is clear: the implicit liabilities dwarf the explicit ones. Indeed, their size is so large as to render the U.S. government effectively bankrupt.

The scale of this implicit insolvency was laid bare this summer in an explosive paper by Jagadeesh Gokhale, a senior economist at the Federal Reserve Bank of Cleveland, and Kent Smetters, former Deputy Assistant Secretary of Economic Policy at the U.S. Treasury and now an economics professor at the University of Pennsylvania.² They asked the following question: Suppose the government could, today, get its hands on all the revenue it can expect to collect in the future, but had to use it, today, to pay off all its future expenditure commitments, including debt service. Would the present value (the discounted value today) of the future revenues cover the present value of the future expenditures? The answer was a decided no: according to their calculations, the shortfall amounts to \$45 trillion. To put that figure into perspective, it is twelve times larger than the current

official debt and roughly four times the size of the country's annual output.

Gokhale and Smetters also asked how much taxes would have to be raised, or expenditures cut, on an immediate and permanent basis to generate, in present value, \$45 trillion? Their answer takes the form of a "menu of pain" with four unpalatable dishes to choose from. We could either, starting today, raise income taxes (individual and corporate) by 69 percent; or we could raise payroll taxes by 95 percent; or we could cut Social Security and Medicare benefits by 56 percent; or we could cut federal discretionary spending by more than 100 percent (which, of course, is impossible).

Another way of expressing the problem is to compare our own lifetime tax burden with that of the next generation if the government does not adopt one of the above policies. Hence the term often used to describe calculations like these: generational accounting. What such calculations imply is that anyone who has the bad luck to be born in America today, as opposed to back in the 1940s or 1950s, is going to be saddled throughout his working life with very high tax rates—potentially twice as high as those his parents or grandparents faced. Notwithstanding the Bush Administration's tax cuts, Americans are hardly under-taxed. So the idea of taxing our children at twice the current rates seems ludicrous.

It is not as if people are completely oblivious to the problem. It is common knowledge that we are living longer and that paying for the rising proportion of elderly people in the population is going to be expensive. What people do not yet realize, however, is just how expensive.

One common response is to say that

²Jagadeesh Gokhale and Kent Smetters, "Fiscal and Generational Imbalances: New Budget Measures For New Budget Priorities", Federal Reserve Bank of Cleveland, Policy Discussion Paper (March 2002).

the economists in question have a political axe to grind and have therefore made assumptions calculated to paint the blackest picture possible. But the reality is that the Gokhale-Smetters study was commissioned by then-Treasury Secretary Paul O'Neill and was meticulously prepared while Smetters was at the Treasury and Gokhale was on loan to the Treasury from the Federal Reserve. And, far from being a worst-case scenario, the Gokhale and Smetters figures are based on what are arguably *optimistic* official assumptions about future growth in Medicare costs, as well as about future increases in longevity.

Perhaps predictably, the Treasury now denies that it had anything to do with the Gokhale and Smetters study. It would rather we read the supposedly independent Congressional Budget Office's (CBO) ten-year budget forecasts, which are frequently cited in the press and are one of the principal reasons for the prevailing mood of complacency about fiscal policy. The credibility of the CBO's forecasts is a perfect illustration of the phenomenon known to students of drama as the suspension of disbelief. This also operates in the financial world. How does the CBO get us to suspend disbelief? The same way a good movie director does it—with good special effects.

During the Clinton Administration, the CBO routinely projected that, regardless of inflation or economic growth, the federal government would spend precisely the same number of dollars, year in and year out, on everything apart from Social Security, Medicare and other entitlements. At the same time, the CBO confidently assumed federal taxes would grow at roughly 6 percent each year. As a result, it was able to make dizzying forecasts of budget surpluses stretching as far as the CBO could see. (These phantom surpluses were the money Al Gore promised to spend on voters and George W. Bush promised to return to them during the 2000 election.)

With the election over, the CBO decided that not adjusting projected discretionary spending for inflation was no longer "useful or viable." Making this correction reduced the CBO's projected 2002–11 surplus from \$6.8 trillion to \$5.6 trillion. But that was nothing compared to the impact of subsequent unforeseen events. Two years later, after a recession, a huge tax cut, the September 11 attacks and the Iraq war, the projected ten-year surplus has fallen to \$20 *billion*. Nevertheless, the CBO is still able to predict a medium-term decline in the federal debt in public hands from 35.5 percent of GDP to 16.8 percent ten years hence. To generate this result the CBO conveniently assumed that discretionary spending would remain fixed over the next decade even as the economy grows. In fact, these purchases, which include the additional military and security expenditures prompted by September 11, have grown more than twice as fast as the economy over the last three years. As we write, the CBO has done some more correcting. It now predicts a deficit for the coming fiscal year of close to half a trillion dollars. And for the ten-year period 2002–11, it no longer predicts a surplus but a \$2.3 trillion deficit. This is \$9.1 trillion more in debt than the CBO was predicting before the last election.

Unfortunately, even the CBO's latest projections still grossly understate the true size of the government's liabilities because its "bottom line" is only that part of the federal government's liabilities that takes the form of bonds. Publicly issued and traded debt, however, is simply dwarfed by the gargantuan off-balance-sheet liabilities of the Social Security and Medicare systems.

Conventional wisdom predicts that if investors and traders in government bonds anticipate a growing imbalance in a government's fiscal policy, they will sell that government's bonds. There are good reasons for this. A widening gap between

current revenues and expenditures is usually filled in two ways: first, by selling more bonds to the public and, second, by printing money. Either response leads to a decline in bond prices and a rise in interest rates: the incentive people need to purchase bonds. That incentive has to be larger when the real return of principal plus interest on the bond is threatened by default or inflation.

Figures like those produced by Gokhale and Smetters might have been expected to precipitate a sharp drop in bond prices. But at the time their study appeared, the markets barely reacted. Yields on ten-year Treasuries have in fact been heading downward for more than twenty years. At their peak in 1981 they rose above 15 percent. As recently as November 1994, they were above 8 percent. By mid-June 2003—two weeks after the \$45 trillion figure had hit the front page of the *Financial Times*—they stood at 3.1 percent, the lowest they have been since 1958.

Today, however, there are clear signs of a slight upward shift in investors' inflationary expectations. The yield on the ten-year Treasuries has jumped to 4.4 percent in response to the government's admission that its actual deficit for 2003 would be \$475 billion—a rather different figure from the surplus of \$334 billion that was forecast back in April 2001. The yield curve, which had become more or less flat by the late 1990s, is now sloping more steeply upwards. At the end of 2000, the spread between ninety-day and thirty-year interest rates was slightly negative (minus 42 basis points). By August, it stood at over 400 basis points. Finally, the spread between yields on ten-year bonds and index-linked bonds with the same maturity has widened slightly, from around 140 basis points in October last year to over 230 basis points in late August.

Yet this still seems a relatively modest reaction given the size of the fiscal crisis facing the United States. There are two

possible explanations for the relative insouciance of the bond market. One is that investors and traders know of a painless answer to the federal government's coming fiscal crisis, which they are somehow managing to keep secret from the economics profession. The other is simply that they are in denial. Or maybe, to be fair, nobody can quite work out *what* it implies. We are, after all, in uncharted waters. Previous fiscal crises were not like this because most governments' liabilities took the form of official bonds, not statutory pledges to pay various index-linked benefits to citizens. Bond traders are accustomed to a world in which governments in fiscal difficulties either default or allow inflation to erode the real value of their debts. They look at the United States and find it hard to imagine either scenario.

For reasons quite unrelated to federal fiscal policy, there are strong deflationary pressures operating at home and abroad. Overcapacity generated during the 1990s boom, investor pessimism in the wake of the bust, consumer anxiety about job losses—all these factors mean that virtually the only sector of the U.S. economy still buoyant is housing, for the simple reason that mortgage rates are the lowest in two generations. At this writing, the U.S. unemployment rate has just reached a nine-year high. Meanwhile, the unleashing of China's productive energies is filling the global economy with amazingly cheap consumer goods.

Earlier this summer, one of the lead stories on the Bloomberg website described deflation as the "great bugaboo menacing the markets and the economy in the early 2000s." On May 22, the Chairman of the Federal Reserve, Alan Greenspan, acknowledged that there was a "possibility" of deflation in his most recent testimony before the Joint Economic Committee of Congress.

There is, however, another way of looking at the bond traders' mindset.

Compare their predicament with that of their colleagues (now in many cases former colleagues) trading equities just five years ago. At that time, it was privately acknowledged by nearly everyone on Wall Street and publicly acknowledged by most economists that American stocks, especially those in the technology sector, were wildly overvalued. In 1996, Alan Greenspan famously declared that the stock market was suffering from "irrational exuberance." Over the next three years, a succession of economists sought to explain why the future profits of American companies could not possibly be high enough to justify their giddy stock market valuations. Still, the markets rose, and it was not until January 2000 that the bubble burst.

It is now clear that something similar was going on in the bond market this year. Just as investors and traders knew that most Internet companies could never earn enough to justify their 1999 valuations, investors and traders knew that future government revenues cannot remotely cover both the interest on the federal debt and the transfers due on the government's implicit liabilities. But just as participants in the stock market were the mental prisoners of a five-year bull market, so participants in the bond market were the mental prisoners of a twenty-year bond bull market that had seen the price of long-term Treasuries rise by a factor of two-and-a-half in twenty years. In both cases, everyone knew there was going to be a "correction", but nobody wanted to be the first player out of the market, who might then have to sit and watch the bull-run continue for another year.

Between January 2000 and October 2002, the Dow Jones Industrials index declined by almost exactly 38 percent as irrational exuberance gave way to more rational gloom. By April of this year, it was becoming easy to imagine a similar correction to the bond market. Now it

seems to have happened. Or has it? Most analysts attribute the recent rise in yield to growing optimism about economic growth and the stock market rather than to fiscal pessimism. This implies that the full magnitude of the government's fiscal plight has not yet sunk in. Much therefore depends on what bond traders and investors expect the government to do about its \$45 trillion black hole. When rational gloom sets in, the U.S. economy will likely "go critical."

The Inflation Scenario

THE PRINTING press is the time-honored last resort of governments that cannot pay their bills out of current tax revenue or new bond sales. It leads, of course, to inflation and, potentially, hyperinflation. The higher the anticipated rate of inflation, the higher interest rates will rise, because nobody wants to lend money and be paid back in undervalued banknotes. The process whereby current fiscal policy influences expectations about future inflation is a dynamic one with powerful feedback effects. If consumers in financial markets decide a country is broke and is going to inflate, they act in ways that actually catalyze such an outcome. By pushing up interest rates, they raise the cost of financing the government's debt and hence worsen its fiscal position. Higher interest rates may also depress business activity. Firms stop borrowing and start laying off workers. The attendant recession lowers tax receipts and drives the government into a deeper fiscal hole. In desperation, the government starts printing money and lending it, via the banking system, to the private sector. The additional money leads to inflation and the higher inflation rates assumed by the market turn into a self-fulfilling prophecy. Thus, the private sector and the government find themselves in a game of chicken: If the government can con-

vince the private sector it can pay its bills without printing money, interest rates stay down; if it cannot, interest rates go up, and the government may be forced to print money sooner rather than later.

This suggests one possible scenario. Bondholders will start to sell off as soon as a critical mass of them recognizes that the government's implicit and explicit liabilities are too much for it to handle with conventional fiscal policy, and concludes that the only way the government will be able to pay its bills is by printing money. What commonly triggers such shifts in expectations is an item of financial news. In Germany in May 1921—to give an extreme example—it was the announcement of a staggering postwar reparations burden of 132 billion deutschmarks that convinced investors the government's fiscal position was incompatible with currency stability. The assassination of the liberal foreign minister, Walther Rathenau, in July of the following year delivered the *coup de grace*, sending both interest rates and exchange rates skyrocketing.

America today is certainly a long way from being the Weimar Republic. But an item of fiscal news could nevertheless conceivably cause a major shift in inflationary expectations and hence in long-term interest rates. The first pinprick in the bond market bubble came in July from the publication of a government deficit number significantly higher than had been forecast by the CBO. Another hole might be made by Alan Greenspan's retirement at some point in the next two years, though judging by the muted reaction to the 77-year-old's warning earlier this year about the Bush Administration's "lack of fiscal discipline", his power to move the markets is not what it was. And there is always the possibility of another major terrorist attack or a serious deterioration of the situation in postwar Iraq.

The panic may not begin among American investors, however. According

to data published in September 2002, foreign investors currently own close to two-fifths of the federal debt held in private hands. The much-vaunted "hyperpower" would quickly find itself humbled if foreigners were to express their anti-Americanism by dumping U.S. Treasuries. Conventional wisdom has it that there is "nowhere else to go" for international investors seeking low-risk securities in the world's reserve currency. However, this overlooks the growing importance of euro-denominated securities in the wake of European Monetary Union (EMU). The volume of euro-denominated government bonds was very large even before the single currency was introduced: the outstanding volume of Eurozone government bonds was roughly half the outstanding volume of U.S. government bonds in 1998. But, as the rapid convergence of Eurozone bond yields clearly shows, monetary union has greatly reduced pre-1999 country risk, so that (in effect) all Eurozone countries' bonds are regarded as being almost as good as the old German bonds. As a result, the European bond market has been significantly boosted by EMU: according to the Bank for International Settlements, about 44 percent of net international bond issuance has been denominated in euros since the first quarter of 1999, compared with 48 percent in dollars. For the equivalent period before the introduction of the euro, the respective shares were 29 percent and 53 percent.

EMU may not have boosted economic growth in the Eurozone, but it has certainly enhanced fiscal and monetary credibility for the member-states. For all its crudeness, the Growth and Stability Pact imposes tight national constraints on the fiscal policies of Eurozone members, though it remains to be seen whether the rule restricting deficits to 3 percent of GDP will be enforced this year. Moreover, unlike the United States, the Eurozone runs a balance of payments surplus. The

possibility that investors may come to regard the euro as being as good as the dollar when it comes to denominating low-risk securities cannot be excluded. Indeed, it may already be happening. Since February last year, the dollar has declined against the euro by 27 percent.

A plausible sequence of events might therefore run like this. Long-term interest rates edge up further as investors in Europe and Asia start dumping long-term Treasuries on the market. The IMF formally criticizes U.S. fiscal imbalances (something the IMF's chief economist, Kenneth Rogoff, has already done informally). Long-term interest rates rise further. Inflation picks up due to higher import prices, which is due to the weaker dollar. Long-term interest rates move into double-digits. The Fed starts printing money to lower rates, but this raises long-term rates even further. The economy moves into recession. Deficits now exceed 5 percent of GDP. Inflation hits double digits. Ultimately, the government is forced to raise taxes, depressing the economy further.

This scenario has at least superficial plausibility because it echoes past events. Although few bond traders have history degrees, they recollect that the high bond yields of the early 1980s were in large measure a consequence of the inflationary fiscal and monetary policies of the previous decade. Nor do the 1970s furnish the only historical precedent for inflationary outcomes of fiscal crises. As is well known, printing money helps a government in fiscal difficulties in three ways. First, the government gets to exchange intrinsically worthless pieces of paper for real goods and services. Second, inflation waters down the real value of official debt. (At the end of World War I, all the major European combatants had accumulated public debts in excess of around two years' national income. But, by 1923, the Germans had rid themselves of nearly all their debt by printing so much money

that the real value of government bonds fell close to zero.) Third, if the salaries of government workers are paid with a lag or only partially adjusted for inflation, inflation will lower their real incomes. The same holds true for welfare, Social Security and other government transfer payments, provided they are not index-linked. In January 1992, for example, Russian inflation hit its post-Communist peak of 296 percent a month, but increases in government transfer payments (especially pensions and some salaries) lagged far behind.

But a 1970s-style inflation is not the only way America's coming fiscal crisis can unfold, for three reasons. First, only a modest proportion of the federal government's \$45 trillion budget gap would actually be reduced through a jump in inflation of the sort described above. Much of the government's tradable debt is of short maturity—indeed, fully a third of it has a maturity of one year or less. This makes it much harder to inflate away debt since any increase in inflationary expectations will force the government to pay much higher interest rates when it seeks to renew these short-dated bonds. Second, Social Security benefits are protected against inflation via an annual inflation adjustment. Medicare benefits are also effectively inflation-proof because the government unquestioningly pays whatever bills it receives.

So, if a rerun of the 1970s would not solve the federal government's fiscal problems, but only compound them, then what are the alternatives? The Bush Administration's approach to the impending federal fiscal crisis appears, surprisingly, to be a variation on Lenin's old slogan: "The worse the better." Faced with the perfect fiscal storm, the President and his men appear to have decided to punch a hole in the boat by pushing through not one but three major tax cuts. Administration spokesmen have often defended such measures as designed

to stimulate economic activity, a version of the “voodoo economics” once upon a time derided by the President’s father. Sadly, in the real world, cutting taxes raises consumption, which lowers saving and investment, thereby reducing the amount of equipment and other capital per worker. This, in turn, lowers workers’ wages and tax payments. This reduction in the tax base reinforces the direct loss in revenues associated with cutting tax rates.

Some proponents of a tax cut as a stimulus argue that reducing certain taxes, like dividend taxes, gives people a greater incentive to save. This is not, however, how people behave, nor how economic theory predicts they should behave. Yes, lower taxes on dividends are an incentive to consume less today in order to consume more tomorrow. But they also provide an incentive to consume more, because tax cuts have income effects as well as substitution (incentive) effects. Even if they did not, the expansion of the tax base from cutting taxes would need to be very large to offset the direct loss of revenues associated with lowering tax rates.

ONE VIABLE fiscal solution to generational imbalance has already been implemented in Britain: that is, simply to break the link between the state pension and wages. In 1979, the newly elected government of Margaret Thatcher discreetly reformed the long-established basic state pension, which was increased each year in line with the higher of two indices: the retail price index or the average earnings index. In her first budget, Thatcher amended the rule for increasing the basic pension so that it would rise in line with the retail price index only, breaking the link with average earnings. The short-run fiscal saving involved was substantial, since the growth of earnings was much higher than inflation after 1980 (around 180 percent to 1995, compared with a consumer price

inflation rate of 120 percent). The long-run saving was greater still: the United Kingdom’s unfunded public pension liability today is a great deal smaller than those of most continental governments—as little as 5 percent for the period to 2050, compared with 70 percent for Italy, 105 percent for France and 110 percent for Germany. This and other Thatcher reforms are the reason the United Kingdom is one of the elite developed economies not currently facing a major hole in their generational accounts. (Interestingly, the others are nearly all ex-British colonies: Australia, Canada, Ireland and New Zealand. According to international comparisons done in 1998, each of these countries could have achieved generational balance with tax increases of less than 5 percent.)

Could it happen in the United States? In view of the growing political organization and self-consciousness of elderly Americans, it seems unlikely. If you spend some time in Florida, you are bound to see scores of bumper stickers that read: “I’m Spending My Kids’ Inheritance.” Fifty years ago, such sentiments were seldom uttered, but attitudes and behavior have changed. Economic research shows conclusively that the elderly as a group are indeed consuming with next to no regard for their adult children. The federal government has spent half a century taking ever larger sums from workers and handing them to retirees in the form of Social Security, Medicare and Medicaid benefits. The result has been a *doubling* of consumption per retiree relative to consumption per worker. Thus, the absence of voluntary transfers of wealth between the old and the young helps explain why Social Security is sometimes referred to as the “third rail”: any politician who suggests a cut in benefits will receive a violent political shock from the American Association of Retired Persons (AARP) and related interest groups.

The Return to Fiscal Sanity

SO ARE THERE any policies an American president can adopt without risking electoral oblivion? The first goal must be to discipline Medicare spending, which is responsible for the lion's share—82 percent—of the \$45 trillion budget black hole. Since 1970, the rate of growth of real Medicare benefits per beneficiary has exceeded that of labor productivity by 2.4 percentage points. The \$45 trillion figure assumes, optimistically, that in the future the growth rate of Medicare benefits per beneficiary will exceed productivity growth by only 1 percentage point. Just cutting the growth rate of Medicare benefits per beneficiary by half a percentage point per year would shave \$15 trillion off the \$45 trillion long-term budget gap. There must be a way to cap the program's growth without jeopardizing its ability to deliver critically important health insurance protection to the elderly.

Unfortunately, the President's new policy—which effectively bribes the elderly with a drug benefit to join HMOs—has three flaws. First, the benefit he proposes is fabulously expensive: between \$400 billion and \$1 trillion over ten years. Second, his scheme retains the traditional and very expensive fee-for-service Medicare system and permits the elderly to switch back to it whenever they like. Unfortunately, they are likely to switch back just when they are becoming expensive to treat. Finally, the HMOs are free to shut down and ship their customers back to the traditional plan whenever their clients become too expensive.

The key, then, to meaningful Medicare reform is to eliminate entirely the traditional fee-for-service option and give all Medicare participants a voucher to purchase private health insurance. But would this not leave them at the mercy of the market, which favors insuring only the healthiest among them? The answer

is no, provided the vouchers handed to the elderly are weighted according to their health status. Thus an 80-year-old with pancreatic cancer might get a \$100,000 voucher, while an 80-year-old who is in perfect shape might get only a \$5,000 voucher. The vouchers would be determined each year in light of the participant's health status at the end of that year. Having set a rigid cap on total Medicare expenditures, the government can readily determine the amount of each voucher. (The major objection to this proposal is the loss of each participant's privacy, since he will have to reveal his medical history to a government-appointed doctor. But this seems a small price to pay to regain some measure of fiscal sanity.)

The second key policy is to privatize Social Security, but in such a way that the current elderly help rather than hinder reform. One way to do this would be to close down the old system at the margin and enact a federal retail sales tax to pay off, through time, its accrued liabilities. What workers would otherwise have paid in payroll taxes would now be invested in special private retirement accounts, to be split fifty-fifty between spouses. The government would make matching contributions for poor workers. And it would contribute fully on behalf of the disabled and the unemployed. Finally, all account balances would be invested in a global, market-weighted index of stocks, bonds and real estate.

Will either of these policies be implemented? We are not optimistic, since each would entail sacrifices by retired Americans, as the AARP would no doubt hasten to point out. Social Security reform appears likely to remain a taboo subject on the presidential campaign trail. And with the enactment of the drug benefit, Medicare has supposedly been dealt with.

There is, however, one other, more drastic possibility. It is usually assumed

that outright default on the government's implicit liabilities is unlikely. Is it? Suppose a major change in expectations about America's fiscal future is looming on the horizon. If the bond market does "go critical"—if, in other words, investors suddenly start to fear an inflationary outcome of the federal fiscal crisis—then a president like this one, who is as attracted to reductions in Social Security as he is to reductions in taxation, might seize the moment of national emergency. And it would indeed be a national emergency. A government facing a steep increase in its borrowing costs would confront a large and powerful social group determined to defend their entitlements.

Such a scenario has one obvious historical precedent. In *ancien régime* France, the biggest burden on royal finances did not take the form of bonds but of salaries due to tens of thousands of officeholders, men who had simply bought a government sinecure and expected in return to be paid a salary for life. All attempts to reduce these implicit liabilities within the existing political system simply failed. It was only after the outbreak of the Revolution, arguably a direct consequence of the monarchy's fiscal crisis, that the offices were abolished. The officeholders were compensated by cash payments in a new currency, the *assignats*, which were rendered worthless within a few years by the revolutionary printing presses. This parallel has two implications: first, there can be big political consequences when fiscal systems go critical; and second, vested interests that resist necessary fiscal reforms can end up losing much more heavily from a revolutionary solution.

PERHAPS, then, Paul Kennedy was not so wrong after all to draw parallels between modern America and pre-revolutionary France. Bourbon France, like America today, had pretensions to imperial grandeur but was

ultimately wrecked by a curious kind of overstretch. It was not overseas adventures that did in the Bourbons. Indeed, Louis XVI's last foreign war, in support of the rebellious American colonists, was a huge strategic success. Rather, the overstretch was internal, and at its very heart was a black hole of implicit liabilities.

In the same way, the decline and fall of America's undeclared empire will be due not to terrorists at our gates nor to the rogue regimes that sponsor them, but to a fiscal crisis of the welfare state. The government finds itself between the falling rock of market sentiment and the hard place of vested interests. Political expediency rules out fiscal reform; but if the bond markets foresee a spiral of deficit finance, sooner or later they will mark down the price of U.S. Treasuries even further. And rising yields will only increase the cost of rolling over the government's explicit debt.

This fiscal crisis is not, of course, a problem unique to America. It afflicts the world's second and third largest economies even more seriously, since neither Japan nor Germany can compensate for the senescence of their populations with American-style immigration. But neither Japan nor Germany has pretensions to be a global hegemon or hyperpower. Their decline into economic old age has minimal strategic implications. That is not true in the American case.

As we write, the crisis of the American welfare state remains a latent one. Few people, least of all in the government, wish to believe it is real. But the crisis could manifest itself with dramatic suddenness if there is a significant shift in the expectations of financial markets at home or abroad. And when the finances of the United States "go critical", there will inevitably be moves to cut back any federal program that lacks strong popular support. Though relatively inexpensive, and not in themselves a cause of American

overstretch, “nation-building” projects in far-away countries will surely be among the first things to be axed.

After all, what could be more “discretionary” than the cost of running Kosovo, Afghanistan or Iraq? We are already seeing in Afghanistan, and will soon see in Iraq, how little America is actually willing to spend on postwar reconstruction. By May 2003, the United States had disbursed a paltry \$5 million to the main Afghan Interim Administration Fund, a tiny fraction of the \$20 billion the Afghan government says it needs to achieve economic and political stabilization.³ This is especially astounding given the indisputable fact that it was in the anarchy of

post-Cold War Afghanistan that Al-Qaeda took root and flourished.

In short, the colossus that currently bestrides the world has feet of clay. The latent fiscal crisis of the American welfare state implies, at best, an empire run on a shoestring, at worst a retreat from nation-building as swift as the original advance towards it. As Edward Gibbon once wrote, “the finances of the declining empire” do indeed make an interesting subject. □

³Barnett R. Rubin, Humayun Hamidzada and Abby Stoddard, “Through the Fog of Peace Building: Evaluating the Reconstruction of Afghanistan”, Center on International Cooperation Policy Paper (June 2003).

A Realist's Credo

13) Pin up on your wall, declaim in lectures, essays, debates and casual conversations, print in your Christmas cards, and otherwise propagate in every way you can, Walter Lippmann's great sentence:

Without the controlling principle that the nation must maintain its objectives and its power in equilibrium, its purposes within its means and its means equal to its purposes, its commitments related to its resources and its resources adequate to its commitments, it is impossible to think at all about foreign affairs.

This is a truth of which Americans—more apt to focus on ends than means when it comes to dealing with the rest of the world—need always to be reminded.

—Owen Harries, “Fourteen Points for Realists”,
The National Interest (Winter 1992/93), p. 112

The Art of the Bluff

Why Kim Is Not Saddam

Ian Bremmer

WITH MAJOR combat operations in Iraq consigned to the history books (we hope), the United States can now give greater focus to North Korea's rogue regime. Kim Jong-il has captured public attention as a dangerous lunatic in the Saddam Hussein mold, and therein lies an error. Kim is not the next Saddam. This has serious policy implications, for the U.S. strategy that removed Saddam is not the most advantageous way to deal with Kim.

There is no mistaking Kim's—ahem—eccentricities. He claims to have been born atop a sacred mountain, under a double rainbow. In the 1970s, Kim ordered thugs to kidnap his favorite South Korean director and forced him to make films celebrating the glory of his regime. Meeting with then-Secretary of State Madeleine Albright, Kim propounded the Swedish model for his country's development. He traveled nearly a month by sealed railroad car to see President Putin in Moscow. He favors dark glasses and platform shoes. Clearly, Mr. Kim has issues.

The similarities between North Korea and Iraq are equally obvious: a despicable authoritarian regime, an

impoverished and oppressed population, a history of flouting international obligations, and a penchant for weapons of mass destruction. But there is one critical difference. When it comes to the survival of his regime, Kim Jong-il is risk-averse.

This was not true of Hussein. When he thought the odds were right, Saddam was often ready to roll the dice on the future of his rule. The decision to tear up the Treaty of Algiers and invade Iran in 1980 was based on Hussein's assessment that the United States, its allies, Iraq's Warsaw Pact backers and the Arab Gulf states would, at least tacitly, support him. In this he was right. In his expectation that Iran would crumble militarily, he misjudged catastrophically. Such was also the case when Hussein invaded neighboring Kuwait in 1990. This time, he misjudged American tolerance for Iraqi adventurism against an ally rather than an enemy. His tendency to run irrational risks was also at the center of his 1993 plot to assassinate the elder President Bush, which would certainly have initiated his regime's demise had he succeeded. Again and again, Saddam ran regime-threatening risks based on little more than his own flawed judgment.

Leaving aside Iraq's development of weapons of mass destruction and its dubious links to Al-Qaeda, this was President Bush's primary reason for ousting the Iraqi leader. In a region of critical strategic importance for the United States—

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marked by increasing political instability and a growing tendency for that instability to reverberate beyond the region—leaving a risk-taking Hussein in power was unquestionably dangerous. It was far more preferable to remove him earlier, when he was relatively weak, rather than later, because here was a leader who, given enough time, would take one reckless chance too many.

IN MARKED contrast, in his relations with the United States, Kim Jong-il has, in his assessment, been as cautious as Saddam was rash. Several examples make the point.

First, the most surprising aspect of the North Korean crisis is not how much trouble Kim has instigated but why he waited so long to do so. After all, upon taking office, President Bush said he did not trust Kim and would not deal directly with his regime. Bush further labeled North Korea part of an “axis of evil” way back in January 2002. In June of that year, the Bush Administration raised the bar for continued food aid, signaling that further aid should be conditioned on North Korea’s good behavior on humanitarian and security matters. Without question, Pyongyang had been in breach of the 1994 Agreed Framework for years. But the North Koreans really only escalated the conflict last December, when they kicked international inspectors out of the country and announced plans to reactivate their nuclear facilities. So why the delay?

In part, the North Korean regime took a long time to acknowledge the reality that its relationship with the United States was deteriorating. Pyongyang is accustomed to hearing threats from Washington and responding in kind while business as usual continues beneath the surface. After all, North Korea has been on the State Department’s list of “state sponsors of terrorism” for years, and this status had little effect on the longstanding Agreed Framework between the two

countries. There was no obvious reason for Kim to believe that anything had changed.

The best explanation for the delay, however, was the fear that last December’s elections in South Korea would result in a victory for Lee Hoi-chang of the Grand National Party. A victory for Lee would likely have spelled the end of the “sunshine” policy and, with it, a critical element of North Korean leverage against the United States (leaving China as Kim’s sole remaining hope of maintaining power). Having just weathered a tense scrape over a gun battle with a South Korean naval vessel in June 2002,¹ they needed to cool the diplomatic climate. North Korea’s logical reaction was to try to initiate a new dialogue with the United States to avoid antagonizing the South Korean electorate before the election. Roh Moo-hyun’s victory in Seoul meant that the specter of a more cynical South Korean government had receded for the time being, giving Pyongyang more room to react to the change in American policy.

There are other examples demonstrating his aversion to risk-taking. This spring, Kim threatened missile tests if Japan launched a spy satellite intended to monitor North Korea. On the basis of local intelligence, the U.S. Defense Department warned the Japanese government that a ballistic missile test was likely. Japan braced itself for another missile to sail through its airspace like the 1998 Taepo-Dong launch, but instead, Kim launched anti-ship missiles into interna-

¹It is difficult to assess whether this incident was deliberate or accidental. Small military scrapes are inevitable due to the high level of tension across the border, very much like the occasional firings across the Demilitarized Zone. The closed nature of North Korean society and the lack of comment makes it nearly impossible to determine the cause of the incident.

tional waters. The action garnered headlines, delivered an ominous threat and involved next to no risk on North Korea's part.

Kim has deplored the fact that Washington refused to respond to his "bold initiative" during the Beijing talks in April 2003. It is instructive, especially as a second round of talks nears, to look at precisely what he had requested. The first, immediate step in the Kim plan was for North Korea to freeze all present nuclear programs in return for unprecedented U.S. security guarantees, thus demonstrating that, through years of mounting crisis, Kim's highest priority has always been to ensure the survival of his regime. Economic aid and normalization of relations would only come later.

Kim was not above trying to bluff the United States to advance his agenda. Just prior to the same Beijing talks, North Korean officials announced that Pyongyang had already started reprocessing their spent nuclear fuel rods, a precursor to further nuclear weapons production. The statement was reiterated by a North Korean envoy during the Beijing talks. This was a red line for Washington and, if corroborated, might have precipitated a serious U.S. response based on the doctrine of pre-emption. But after assessing data from Japanese sniffer ships, U.S. satellite imagery and Russian intelligence, Washington later concluded that no such reprocessing had actually occurred.

This increasingly looks to be the case from the most recent debate over reprocessing in July. At that time, tensions broke out when North Korean diplomats told a visiting delegation of U.S. Congressmen they had indeed completed the reprocessing of their spent nuclear fuel rods. The Koreans compounded this by later adding they might test—or even sell—nuclear weapons if provoked. The United States then detected krypton-85, a

gaseous byproduct of reprocessed nuclear fuel, in air samples above the North Korean border. Yet U.S. intelligence has been unable to confirm that the krypton-85 comes from reprocessing, or even from North Korea. (Given the uncertainty of the data, plants in China, Russia or Japan could easily be the culprit.²) Amidst the bluster, the North Koreans have likely waited yet again before stepping over the red line. More probably, the North Koreans have quietly continued developing their enriched uranium programs undetected by the United States. Undetected, and therefore unlikely to lead to retaliation.

KIM MAY well be a willing negotiating partner. But short of fully and verifiably disarming, he has nothing to offer. In setting the stage for talks, the Bush Administration has focused on North Korea ending its nuclear weapons programs, limiting its ballistic delivery systems and downsizing its massive conventional forces. For Kim Jong-il, a member of the "axis of evil" who has just witnessed regime change in Iraq, military strength guarantees his continued leadership. For a risk-averse leader focused on his own survival, nothing would be less likely than his casting aside the weapons that ensure the United States would bear unacceptable costs by removing him.

²An illuminating study analyzing declassified estimates by the U.S. intelligence community of North Korea's nuclear program has recently been published by Jonathan D. Pollack, a leading specialist in East Asian political-military affairs and director of the Strategic Research Department at the U.S. Naval War College: "The United States, North Korea, and the End of the Agreed Framework", *Naval War College Review* (Summer 2003). For more on the origins of krypton-85, see Rob Edwards, "Krypton clue to North Korean nuclear progress", *New Scientist*, July 22, 2003.

Kim's problem, therefore, is that his diplomatic tool-kit consists mostly of sledgehammers. With military activity in the peninsula effectively off the table, North Korea's bargaining chips are limited to WMD development and the threat of proliferation—neither of which represents a subtle approach. Kim's strategy is the same in every situation: calling repeated attention to the danger of his regime by means of (admittedly very talented) speechwriters while avoiding concrete action that might result in regime-threatening retaliation. Leaving aside the rhetoric, we should not expect anything dramatic from North Korea.

Accordingly, America's worries should not focus on Pyongyang lobbing a nuclear bomb into Tokyo or sending a million troops across the border toward Seoul—either of which would mean the certain end of Kim's regime. Inflammatory rhetoric aside, North Korea is a threat because Kim will do whatever it takes to keep his coffers from running dry and thus stay in power over the long term. To this end, his country has become one of the world's most aggressive exporters of drugs and ballistic-missile technology and hardware. Should that export turn to nuclear technology and material, an extremely difficult commerce to detect, Kim will have fueled a crisis of global proportions. (And one cannot expect that he would export nuclear materials unless he had first built up a credible deterrent.)

Understanding these facts, the Bush Administration continues to demand a verifiable end to all nuclear weapons development in North Korea. They have been divided over how best to accomplish this: either through continued rounds of negotiation (Secretary Powell's preference), or by supplementing talks with a deadline and military escalation (Secretary Rumsfeld's approach). Both agree that the best course for progress is coordinated

and sustained multilateral pressure, particularly from North Korea's primary source of funding, China. But short of that outcome—and thus far, Chinese helpfulness has not measured up to U.S. expectations—America's options are stark: escalate or retreat.

Multilateral talks have not yet produced results. The next round is not likely to, either. Kim has no reason to doubt the seriousness of the Bush Administration's doctrine of pre-emption or its desires to see another regime in Pyongyang. After the war in Iraq, it is difficult to believe that American security guarantees by themselves will convince Kim that a strong deterrent force is no longer necessary.

Kim Jong-il may offer to make good on nuclear disarmament in return for a non-aggression pact from Washington, attempting to pull the Chinese and South Koreans further away from the U.S. position. Without suitable verification measures, such a deal will be unacceptable to the United States. Alternately, Kim can grandstand and push the Americans to leave the talks a second time in a huff. Either way, Kim Jong-il, well aware of the Bush Administration's doctrine of pre-emption, is simply playing for time—conceding nothing while pursuing unmonitored enriched uranium programs that slowly but surely improve his bargaining position. As importantly for Kim, they will improve North Korea's deterrent.

Paradoxically, Kim's risk-averse behavior poses the real policy challenge and the greatest danger. The attractiveness of escalation is enhanced by Kim's survival instinct. U.S. military bluster and even a surgical strike are likely to force North Korea's hand because Kim is intent on keeping his regime. Brinksmanship may now be necessary to call North Korea's bluff and bring its behavior into line, for the risk-averse Kim seems likely to blink. Mr. Kim, after all, is not Saddam. □

The Stealth Normalization of U.S.-China Relations

David M. Lampton

THE 1947 Marshall Plan conjures to mind certain ideals of foreign policymaking—bipartisan constancy of purpose, political perseverance and vision. Adherence to these ideals secured both American strategic interests and free-market and democratic political values in Western Europe. Though it is less appreciated for doing so, U.S. China policy has followed a similar course. Indeed, Washington has persevered in a far-sighted China policy through seven administrations—from Richard Nixon to George W. Bush, although this achievement did not come without periodically robust domestic debate. Even when presidents from Ronald Reagan, through Bill Clinton, to George W. Bush initially considered significantly altering the contours of the relationship with Beijing, each quickly realigned policy according to long-established principles once the costs of change to American interests became apparent.

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Washington's policy toward the People's Republic of China (PRC) has exhibited three principal features: first, to define and articulate the key strategic interests that bind the two nations together (while remaining mindful of frictions where they exist); second, to weave the fabric of economic interdependence that binds the two countries together (thereby making conflict progressively more expensive for both peoples); and finally, to cultivate bureaucratic and cultural ties that promote stability between the nations and progressive change within China (by fostering mutual understanding and the economic and social changes underpinning humane governance—with creation of a middle class being central).

The Bush Administration came into office asserting that Bill Clinton's policy of working toward a "constructive strategic partnership" with Beijing was naive. It initially labeled the PRC a "competitor." Today, President Bush presides over a more cooperative relationship with Beijing than Bill Clinton was ever able to secure, and the prospects for progressive political change in China have improved. Indeed, Washington's relationship with Beijing approximates those which it enjoys with many of its traditional "allies", such as France, Japan, the Republic of Korea, Canada, Mexico or Turkey. How did we arrive at this juncture, and how might both sides move further forward?

To address these questions, and to better understand the transformation of the Sino-American relationship, we ought to think of it as resting on a three-legged stool, each leg representing security, economic and cultural ties, respectively. During the 1970s and 1980s, our stool would have had a long security leg, a very short economic leg and a somewhat longer cultural leg, making for a very unstable stool indeed. But during the 1990s, our stool's security leg was shortened drastically while the economic and cultural legs continually lengthened. The September 11 attacks once again lengthened the security leg, giving rise to our current arrangement, in which each leg is now of approximately the same length and strength—that is, a much more stable stool on which to rest the Sino-American relationship. But this is a story that deserves to be told literally as well as metaphorically.

The Search for a Strategic Foundation

THE PRE-9/11 circumstance: It is commonly accepted that the dissolution of the Warsaw Pact and the 1991 collapse of the Soviet Union eroded the Nixon-Mao security rationale for productive U.S.-China relations by eliminating the common Soviet enemy. Even before these tectonic shifts, some of the glue holding the relationship together had weakened. In part because of President Reagan's initial pro-Taiwan proclivities and in response to Soviet overtures to improve relations with Beijing, China adopted an "independent foreign policy" to reduce dependence on Washington in 1982, and in the United States, Americans became increasingly aware of human rights abuses in the PRC (culminating in the 1989 Tiananmen Square violence) as well as China's transfers of weapons of mass destruction-related technology to Saudi Arabia, Iran, Pakistan and other countries in the 1980s.

The benefits of expanding and generally positive Sino-American economic and cultural contact were insufficient to compensate for these developments.

After 1989, therefore, without a compelling security rationale to discipline demands made on Washington policymakers, all aspects of China policy seemed equal—economic, human rights and security concerns all had their proponents. With no discernible cost in doing so, every resolution or piece of legislation germane to China that Congress considered in the 1990s became a Christmas tree upon which the ornaments of accumulated dissatisfactions with the PRC were hung. Consequently, the White House could not durably define its hierarchy of priorities for Beijing. Unable to figure out what Americans really wanted, and believing that they could never be satisfied anyway, Chinese leaders gave Washington precious little.

In this environment, security considerations fostered mistrust, rather than the limited cooperation of the 1970s and 1980s. A spate of books and articles appeared asserting that each nation was the other's looming strategic challenge, both reflecting and reinforcing public opinion in both countries. In China, there was *China Can Say No* (1996) and *Unrestricted Warfare* (1999); in the United States, there was *The Coming Conflict With China* (1997) and *The China Threat* (2000). The China Threat case was most credibly made by University of Chicago professor John J. Mearsheimer, who maintained that even if China became democratic, its size and rate of growth made conflict with America inevitable.

Unfortunately, a policy of engagement is doomed to fail. If China becomes an economic powerhouse it will almost certainly translate its economic might into military might and make a run at dominating Northeast Asia. Whether China is democratic or deeply enmeshed in the global economy or autocratic

and autarkic will have little effect on its behavior, because democracies care about security as much as non-democracies do, and hegemony is the best way for any state to guarantee its own survival.¹

Popular opinion in both countries reflected such sentiments. Survey data collected by the Pew Research Center for the People and the Press in March 1999 indicated that “keeping close watch on China as [a] world power”, was the “top priority” for 52 percent of respondents. That same year, the Chicago Council on Foreign Relations reported that 56 percent of American foreign policy “leaders” regarded China as a “critical threat.” As for Beijing, in May 1995, *China Youth Daily* found that 87.1 percent of PRC respondents believed that the United States “was the country ‘least friendly’ to China.” Subsequent events, such as the accidental 1999 bombing of the PRC Embassy in Belgrade and the April 2001 collision of U.S. and PRC military aircraft near Hainan Island, only further darkened popular Chinese images of the United States—and vice versa. Popular sentiment created what Daniel Yankelovich calls the “boundaries of the permissible” for political leaders in both societies—vaguely-defined limits that politicians are loath to cross. In the United States—at least until 9/11—it was safer to paint China in dark hues, to stress China as a threat rather than a future strategic partner.

The post-9/11 circumstance: George W. Bush came into office talking about China as a “competitor” and asserting that he would do “whatever it takes to help Taiwan defend herself.” After September 11, however, American priorities and threat perceptions changed—the sense of challenge from China declined as dangers from other quarters mounted. The Pew Research Center charted a 13 percent decline (by January 2003) in the number of respondents concerned about keeping a

“close watch” on China. As Americans became more preoccupied with terrorism and weapons of mass destruction, President Bush convincingly re-established a sense of hierarchy among U.S. foreign policy goals—with “security” as the touchstone—that could discipline his own fractious administration (to some extent), Congress and the domestic interest groups that previously had pulled Washington’s China policy from pillar to post. Beijing, in turn, perceived a window of opportunity to pursue its goals for domestic development without excessive threat from the United States. The United States increasingly had other, more compelling security problems, ranging from Al-Qaeda’s global network, to Afghanistan, Iraq, Iran and North Korea.

Having seen the second plane hit the South Tower of the World Trade Center live on CNN on September 11, then-President Jiang Zemin quickly seized the opportunity to make contact with President Bush. Like Russia’s Vladimir Putin, Jiang saw in the tragedy a chance to improve cooperation with Washington. Since 9/11, Beijing has supported UN anti-terror resolutions (including an affirmative vote for UN Resolution 1441 in November 2002 concerning Iraq), encouraged Pakistan’s President Musharraf to cooperate with Washington on the war in Afghanistan, pledged \$150 million (though less has been delivered) to the rebuilding effort in Afghanistan, and provided tactically significant information helpful to the U.S. war effort there. Moreover, Beijing has not been disruptive despite its concerns regarding the growing U.S. ground

¹Mearsheimer, *The Tragedy of Great Power Politics* (New York: W.W. Norton & Co., 2001), p. 4. Mearsheimer’s perspective was echoed in the Pentagon’s *Quadrennial Defense Review*, released in the fall of 2001, that described China as an emerging “military competitor with a formidable resource base” in East Asia.

presence in Central Asia and Japan's broadening security role—a role dramatically expanded in July 2003 when the Japanese Diet voted to send forces to assist in Iraq's reconstruction. Finally, months prior to the U.S. invasion of Iraq, Jiang let Bush know that China would not exercise its veto in the UN Security Council, regardless of its public rhetoric.

President Bush has responded constructively. Unlike Bill Clinton, who did not travel to China in his first term and eschewed a genuine summit with Jiang until his second term, Bush met President Jiang four times in the 13 months following September 11—twice in China, once at his Texas ranch, and shortly thereafter at the Los Cabos, Mexico meeting of the Asia-Pacific Economic Cooperation (APEC). More recently, during the ongoing transition from Jiang Zemin to Hu Jintao in 2002–03, President Bush met Hu on three different continents: in China, in the United States and, most recently, in Europe at the G-8 summit in Evian, where he invited the new Chinese president to visit the United States in the near future. All in all, Hu Jintao's *gravitas* at home has not been hurt by his treatment by Washington.

Turning to Taiwan, President Bush and his subordinates have publicly and privately reassured the Chinese leadership that the administration “*does not support*” (indeed they sometimes said they “*opposed*”) unilateral moves by Taipei toward Taiwan independence. This message gained credibility in Beijing's eyes shortly after the October 2002 Crawford Summit for two reasons: First, when meeting a Taiwan dignitary in October 2002 at the Los Cabos APEC meeting, President Bush in effect rebuked Taiwan President Chen Shui-bian for roiling the waters of the Taiwan Strait with his “one country on each side of the Strait” comment of the preceding August. As one PRC analyst put it: “The United States has made it clear that it would not support

Taiwan independence or ‘one side, one country’, in sharp contrast to the assertion made by Bush as soon as he assumed office.” Second, Beijing seems reassured by the fact that America is looking for no additional trouble in the Taiwan Strait, given its problems elsewhere, and expects Taipei to show restraint.

North Korea's increasingly destabilizing behavior (including its October 2002 statement that it had been conducting a uranium enrichment program in violation of the 1994 Agreed Framework and other undertakings, its January 2003 declaration of withdrawal from the Non-Proliferation Treaty and its April 2003 threats to conduct a “physical demonstration” of a weapon or export nuclear-related materials) also have fostered more robust U.S.-China security cooperation. As Kim Jong-il's regime has become progressively more bellicose, the relationship between Pyongyang and Beijing (previously described as “close as lips and teeth”) has become one in which Chinese teeth increasingly are willing to bite North Korean lips. One bite occurred in early 2003, when Beijing temporarily interrupted the oil flow to North Korea. Another occurred in March when China's then-Vice-Premier, Qian Qichen, traveled to the North Korea to urge Pyongyang to be less incendiary and engage in talks with Washington—the North did so in Beijing this April. And, yet another occurred when Chinese Vice Foreign Minister Dai Bingguo personally delivered a letter from President Hu to Kim Jong-il in mid-July 2003.

There has been another development that has contributed to making U.S.-China relations more “normal.” Increasingly, Washington's relations with traditional allies such as France, Germany and Turkey have been strained, in part due to disagreements over how to legitimize and prosecute specific battles in the war on terror, how to rebuild failed states after conflicts with the United States and how to counter

WMD proliferation most effectively. Moreover, some U.S. allies chafe at Washington's dominance and willingness to circumvent multilateral organizations (for example, the UN Security Council or NATO). There is friction with Tokyo and Seoul over regional security strategies and the basing of U.S. military forces on their soil—one could reasonably call the U.S.-ROK alliance “troubled.” The net of all this is that the disagreements with China no longer stand out so starkly for Americans.

The way in which both China and America now discuss their relationship reflects these developments. In his January 29, 2002 State of the Union Address, President Bush said, “Our first priority must always be the security of our nation. . . . In this moment of opportunity, a common danger is erasing old rivalries. America is working with Russia and China and India, in ways we have never before, to achieve peace and prosperity.” And in China, there also is new thinking percolating in intellectual circles that may increasingly influence elite views. Tsinghua University Professor Pang Zhongying put it this way:

We can well imagine what kind of situation would occur if the United States were not present in Asia. Japanese rearmament would certainly be an outcome. . . . Therefore, China needs to consider seriously the question of what role America should play in Asian security. This leads to the next question: how might a future-oriented security cooperation between Beijing and Washington play a role in fixing China's security deficit problem?²

The Stealth Strengthening of Economic and Cultural Ties

AT THE SAME time that the security rationale for the relationship has become more robust in both nations, the economic and cultural legs of the Sino-American rela-

tionship have continually strengthened in ways that few Americans fully appreciate. As if by stealth, globalization and interdependence have made the United States and China increasingly important to one another, especially against the backdrop of anemic economic growth elsewhere. The United States is China's largest export market, sucking up over one-third of China's exports (by U.S. count), and China is the number four trade partner for the United States. In the first four months of 2003, total bilateral U.S.-China trade grew about 30 percent over the same period a year earlier, with U.S. exports to China growing 36.6 percent and Chinese exports to the United States expanding about 30 percent. This trade performance contrasts with relatively anemic growth in American exports to the European Community and Japan, which, taken together, rose only about 3 percent in the first four months of 2003 (in comparison to the same period in 2002), though the absolute size of these exports is much larger than those to the PRC. The U.S. trade deficit with China is a challenge discussed below that could become a prominent issue in U.S. electoral politics in 2004.

While not overstating the case, the information technology industry is one area in which growing Sino-American interdependence is made manifest. American information products increasingly are being manufactured in China. By 2000, the PRC had become the world's third largest producer of information hardware, behind only the United States and Japan. Although there is debate over what really should be considered “high-tech”, the American Electronics Association reported in its “Tech Trade Update 2003”, published this

²Pang Zhongying, “Some Points on Understanding China's International Environment”, *In The National Interest*, vol. 1, no. 6, October 23, 2002 (www.inthenationalinterest.com).

past June, that China overtook Mexico and Japan in 2002 as the number one source of such products.

With respect to human resources, a 1999 study by AnnaLee Saxenian, distributed by the Public Policy Institute of California, reported that “Chinese or Indian immigrants led 24 percent of all Silicon Valley firms”, and that “foreign-owned firms accounted for 14 percent of the region’s total employment.” The National Science Foundation estimated in a 2001 report that “China is among the top six countries of origin of foreign-born scientists and engineers employed in the United States.” Saxenian concluded:

[T]he ‘brain drain’ from developing countries such as India and China has been transformed into a more complex, two-way process of ‘brain circulation’ linking Silicon Valley to select urban centers in India and China. . . . [T]he professional and business links between California and these distant regional economies are developing rapidly.

This interdependence raises legitimate questions in American society and government. How concerned, for example, should the United States be about dependence on China for key advanced technology products and personnel? Similarly, are the human, technology and capital flows that are the lifeblood of interdependence helpful or harmful to future U.S. economic competitiveness?

Then there is the relentlessly growing bilateral U.S.-China trade deficit. China’s surplus with America reached a little over \$103 billion in 2002, about 45 percent more than Japan’s trade surplus with the United States that year. In the first quarter of 2003, the U.S. trade deficit with China was 79 percent larger than that for the comparable period of the prior year—and 52 percent more than Japan’s trade surplus with the United States during the first quarter of the preceding year. The trade deficit has combined with ongoing

and serious intellectual property violations (including the apparent lifting of an automobile design) and the sheer growing competitive power of industry on the mainland (one newspaper headline screamed “Computer Giant in China Sets Sights on U.S.”) to create the potential for congressional reaction and an electoral issue. The National Association of Manufacturers has defined rising health care costs and China as its two biggest headaches.

Turning to financial power, China is the world’s second largest holder of foreign exchange reserves (after Japan), with about \$346 billion (as of the end of June 2003). Where this money is parked is increasingly important. In September of 2002, then-Minister of Finance Xiang Huaicheng told me that the PRC’s current holdings of U.S. debt instruments (corporate, state, municipal and U.S. Treasury) were worth about \$150 billion—and this figure excluded disguised private PRC citizen holdings and Chinese foreign direct investment in the United States. China’s ownership of U.S. Treasury securities is also growing. As of November 2002, China held \$96.8 billion and, by January 2003, increased those holdings to \$105.1 billion (nearly 9 percent of all foreign holdings of U.S. Treasury securities). By April 2003, China reportedly held \$119.4 billion of U.S. Treasury securities.

It is not just America that benefits from growing interdependence with China. Domestic employment generation is a paramount concern to Beijing. The combined effects of WTO entry, population expansion, urbanization and dismemberment of the state-dominated economic system require the creation of hundreds of millions of jobs over the next few years in the PRC. For Chinese leaders and citizens alike, it is more than a footnote that U.S. firms are becoming a rapidly growing, though still modest, source of employment in their country. As of 2002, for example, Avon had 20,000 sales repre-

sentatives in China, while Motorola had 13,000 employees and the Coca-Cola network supported more than 414,000 Chinese jobs. Wal-Mart is China's eighth-largest trade partner.

Large and growing cultural and educational ties reinforce the bilateral relationship considerably. Not only is the number of Americans studying the Chinese language modestly rising (but still inadequate), but large numbers of Chinese are also studying and receiving training in America, not to mention the West more broadly (63,211 in 2001–02). The *People's Daily* (in its February 3, 2003 online edition) reported, "81 percent of the members of the Chinese Academy of Sciences and 54 percent of the members of the Chinese Academy of Engineering are returned overseas students." Many of these students become financial and intellectual bridges linking the two societies together. One such example is the American company *Asiainfo*, founded by Chinese students who were educated in the United States. In 1995, it won a contract to expand China's largest commercial Internet network, and by 1997 "controlled more than 70 percent of China's Internet node servers, with points in all 31 provinces and all autonomous regional capitals and self-governing cities."³

Chinese officials and intellectuals frequently and explicitly acknowledge this economic interdependence. It is commonplace at meetings on Sino-American relations convened in the PRC to begin with the host acknowledging that China's economic well-being has become tightly intertwined with American prosperity. The fashion among Chinese intellectuals is to talk about "win-win", rather than "zero-sum", thinking. Important as they are, however, stronger security, economic and cultural foundations are not the whole story. Despite post-9/11 developments, each nation also remains strategically ambivalent about the other.

Mutual Strategic Apprehension and Uneasy Security Cooperation

WHEN THE history of this period is written in ink instead of pencil, it may be that the present will be remembered as the moment when China jettisoned the chip on its collective shoulder, the victim mentality engendered by the "hundred-plus years of humiliation", and threw its lot in with the international system as a maintainer, not a disrupter. Pang Zhongying, the earlier-mentioned Tsinghua University professor, echoed sentiments expressed by President Jiang Zemin in 2001:

China has parted with the period of humiliating history. We have placed the humiliating history on one side. We can say the Chinese people have stood up for the second time. . . . China always feels that it has been humiliated and that the world order is very unfair. . . . But now we have entered an order and joined a world system not initiated by China.

In late 2001, China entered the WTO, the last major international governmental organization of which it was not a member. That same year, Beijing was selected as the host city for the 2008 Olympic Games, and Shanghai was chosen as the site for the 2010 World Expo. Finally, the 2002 State of the Union Address and the *National Security Strategy of the United States* (NSS) both explicitly recognized China as one of the great powers and acknowledged Chinese cooperation with America in a global struggle against the forces of chaos.

Yet, just as China seems poised to join the world order with dignity, equality and

³Irene Wu, Johns Hopkins-SAIS dissertation draft, "Restructuring of China Telecom 1999 and 2002", April 25, 2003, pp. 19–20. Wu cites U.S. Department of State, "China: Creating Domestic Competition in Telecom", May 24, 1999.

U.S. acceptance, some U.S. actions after 9/11 and many aspects of the September 2002 NSS raise a troubling question for the PRC. Is America in the process of abandoning much of what constitutes the post-World War II order? Just as China was walking in the front door of international organizations, was the United States exiting through the back door? Many Chinese are worried about an America bent on hegemony and which has no intention of allowing its power to be restrained or regulated as part of an international order. Beijing, for instance, worries that Washington is organizing a counter-proliferation embargo of North Korea without UN sanction.

Four elements of the NSS are particularly troubling to the Chinese. For starters, deterrence has been knocked off the strategic pedestal it occupied throughout the Cold War. Pre-emption (or, more accurately, preventive war) has become a prominent feature of declared U.S. security policy. As the NSS put it,

The inability to deter a potential attacker, the immediacy of today's threats, and the magnitude of potential harm . . . do not permit that option [sole reliance on deterrence]. We cannot let our enemies strike first.

This raises a host of questions. When is a threat judged to be imminent enough to justify pre-emption? Is intelligence information generally adequate to provide the confidence required to make such judgments? Who does the judging? Where do traditional concepts of sovereignty fit? And, how should the right to self-defense be interpreted in current circumstances?

A second troubling aspect for Beijing is that the NSS proclaims a "distinctly American internationalism", proclaiming further that "the aim of this strategy is to help make the world not just safer but better." The strategy's goals are political and economic, as well as more narrowly security, in character. The prospect of

diluting the protection offered by sovereignty in the name of advancing political liberalization and market economics is, needless to say, troubling to Beijing.

Another disquieting aspect of the emerging U.S. security strategy relates to international organizations and regimes. From Beijing's perspective, Washington displays a troubling pragmatism with regard to these institutions. Take, for example, the use of the phrase "coalitions of the willing." This concept (and recent U.S. behavior) suggest a smorgasbord approach to international order, where Washington will identify and select the organizations, treaties, regimes or countries that support its objective of the moment. The United States operated under the signboard of the UN in Bosnia, NATO in Kosovo and principally with Britain in Iraq. This suggests to China that its pivotal role in some international organizations (particularly the UN) may be short-circuited by an opportunistic U.S. policy backed up with enormous military and economic power. There is a dissonance for the Chinese when Washington tells Beijing to institutionalize domestically even as Washington seems to be deinstitutionalizing internationally. "The U.S.", as one very senior Chinese diplomat put it to me recently, "calls for democracy within countries and is anti-democratic in its behavior abroad."

Finally, the United States unmistakably declares its intention to defend its solo position atop the pyramid of interstate power. As the NSS puts it: "Our forces will be strong enough to dissuade potential adversaries from pursuing a military build-up in hopes of surpassing, or equaling, the power of the United States."

For its part, despite the post-9/11 rapprochement, America's strategic apprehensions about China include concerns about whether China will be a cooperative actor in the strategy outlined above and whether the Chinese government will do all it can to stem the spread

of WMD and the means of their delivery.

There are positive signs. Certainly, China has not shown interest in taking the lead in opposing the United States in areas removed from its immediate region and border, preferring to let Russia and America's traditional allies do the heavy lifting with respect to these "secondary" issues. Iraq is a case in point. Since August 2002, Chinese officials and scholars were telling me privately, "For China, Iraq is not a very big issue", an observation supported by the fact that only 0.6 percent of China's oil imports were from Iraq. Beijing would not sacrifice Sino-American cooperation in order to directly confront Washington over Baghdad, though it was also unwilling to explicitly endorse the U.S. use of force in Iraq in a second UN resolution. Beijing's interests were best served when the second resolution was withdrawn without a vote.

With respect to WMD and counter-proliferation, China is implementing more vigorous domestic export control measures, but there will be leaks and occasional intentional transfers that will alarm Washington and cause conflict. Demonstrating both the risks of the relationship as well as how far it has come, in May 2003, the U.S. Department of State placed export sanctions worth about \$200 million on North China Industries (NOR-INCO) for alleged exports of missile technology to Iran. Beijing issued a pro-forma protest, but that was all. The relationship has reached a point where friction in one corner need not jeopardize all.

Yet, Beijing and Washington may clash over how to deal with a problem even when they both agree that there is a challenge that requires cooperation. The current North Korean nuclear challenge is a case in point. There is little doubt that both the United States and China agree that Pyongyang should not possess nuclear weapons. In a January 10, 2003 telephone call between Bush and Jiang, the then-president of China made this point. The

problems come not in this shared objective, but in the relative priority each attaches to it and the means by which each side believes the goal can best be attained. (Moreover, until possibly recently, Beijing seemed to believe that Kim Jong-il was not as far along in his nuclear projects as U.S. intelligence seemed to think.) For Washington, having no nuclear weapons on the Korean Peninsula is its first, second and third priority.

This is not to say that preventing North Korea's acquisition of WMD is not important to Beijing. Indeed, this objective may be of growing importance as PRC leaders contemplate the effects on Chinese security of a proliferation domino process that could spread from North to South Korea, through Japan, and possibly on to Taiwan. Moreover, North Korea's threats in the April 2003 three-way meeting with China and the United States greatly heightened the PRC's concerns and increased its willingness to consider a broader range of ways to bring Pyongyang onto the non-nuclear path.

Nonetheless, preventing either war or socio-political collapse in North Korea remains a very high priority for Beijing. Either outcome would spew untold numbers of refugees into China and eliminate an historically valuable buffer. Moreover, South Korea, a state with which the PRC is seeking to safeguard and improve its increasingly important diplomatic and economic ties, is also opposed to a breakdown in the North induced by the application of external pressure. Also, the Chinese claim to have other sources of information about North Korea that lead them to a different interpretation of Pyongyang's behavior. China contends that the best way to halt the nuclear program is for Washington to negotiate directly with Kim, providing Pyongyang the security guarantee and economic wherewithal that Beijing suspects is the goal of North Korea's threats in the first place. In contrast, many in Washington

quite plausibly suspect that Pyongyang is holding out the mirage of productive negotiations long enough to acquire a major nuclear deterrent, a course from which it cannot be peacefully deflected.

In sum, the tools that the United States appears willing to contemplate employing to achieve its nonproliferation priority (sanctions, embargoes and the threat of force) would, Beijing believes, compromise a central Chinese security objective. What Beijing fears the most is just what some persons in the Bush Administration say they want: "The Chinese could cut them off, and in six months North Korea would be in dire circumstances." One senior Chinese businessperson explained the PRC's dilemma to me in March 2003 as follows: "We can either send food to North Korea or they will send refugees to us—either way, we feed them. It is more convenient to feed them in North Korea than in China."

Looking over the long term, PRC leaders tend to believe that the most enduring approach to producing change in North Korea is to encourage it to traverse the same route of economic and social reform that China itself has traveled in the last 25 years. Even a notable skeptic of China's role in Asian security, Deputy Secretary of Defense Paul Wolfowitz, had the following to say in Singapore on May 31, 2003:

[U]nder the leadership of Deng Xiaoping, China pointed the way for how a failed communist system can undertake a process of reform without collapsing. That is the course North Korea needs to pursue if it is to avoid the kind of collapse that is viewed with apprehension throughout the region.

The larger point to be made here is that even when Beijing and Washington agree on a policy objective (such as no nuclear weapons on the Korean Peninsula), cooperation can prove diffi-

cult because of differing priorities and conflicting assessments.

Where Do We Go From Here?

FOUR FACTORS have provided a stronger and more balanced foundation for U.S.-China relations than has existed since 1989: the necessities of the war on terror, the binding forces of globalization, Chinese preoccupation with domestic challenges and Beijing's growing economic and international influence. Nevertheless, Beijing and Washington remain strategically ambivalent about one another. All of this has resulted in a relationship not so different from that which Washington has with many of its allies (although human rights in the PRC remain a singular concern to Americans, and Taiwan remains a potential flashpoint).

Beijing, however, is reticent to confront Washington directly. The guiding impulse for Chinese policy remains the 28 carefully selected characters that Deng Xiaoping uttered not long after June 4, 1989, as China faced pressure and sanctions from around the world: "adopt a sober perspective; maintain a stable posture; be composed; conserve your strength and conceal your resources; don't aspire to be the head; do something eventually." This is a China with which America can work productively. Nonetheless, Deng's formulation leaves U.S. policymakers worried both about passivity in the short run and assertiveness in the long run.

In these current circumstances, the United States and China can, and should, advance their mutual interests in five areas:

- North Korea's drive for nuclear weapons is the critical security concern in East Asia for the United States. It is a bellwether issue that requires even greater Sino-American cooperation than the significant level already achieved. The PRC played a key role by bringing the United States and North Korea together in

Beijing in April 2003 and by its subsequent efforts to do so again. As of this writing, a second round of talks has been scheduled for late-August in Beijing, this time involving not only the United States, the PRC and North Korea, but South Korea, Japan and Russia as well. Beijing has sought to prod both Washington and Pyongyang to talk and has encouraged North Korea to do so in a "multilateral" setting. Beijing has used a mix of diplomatic and economic inducements and sanctions in its dealings with Pyongyang, reflecting the PRC's increasing alarm at North Korea's behavior. If the Bush Administration can develop a strategy acceptable to South Korea that holds out the prospect of both inducements and sanctions for Kim Jong-il, it may well win more support from Beijing. However, if talks with North Korea fail to occur or fail to deflect Pyongyang from its present course, Washington will expect more muscular action from the PRC. This will be a genuine test of Sino-American relations.

- With respect to Taiwan and cross-strait relations, Jiang Zemin hinted at the October 2002 Crawford summit that Beijing might remove some of its missiles from their threatening postures near Taiwan were the United States to show parallel restraint in its military links with Taipei. This suggestion has been reiterated to visiting Americans by several Chinese leaders. Without endorsing this vague proposal, it provides Washington an opening for a dialogue with Beijing that should be seized. Relieved of cross-strait militarization, Washington, Beijing and Taipei could foster greater economic and cultural cooperation.

The chief concerns of U.S. policy under the 1979 Taiwan Relations Act, and the Shanghai Communiqué seven years earlier, have been the twin concepts of the level of tension in the Taiwan Strait and a "peaceful resolution" of the Taiwan issue. For the first time in the last 54 years, China's leaders have, in effect, offered to

discuss their force dispositions in proximity to the island. The White House has been largely unresponsive. Although the administration obviously has other things on its mind, it must be able to walk and chew gum at the same time. Silence in the face of a possibly meaningful Chinese proposal certainly does not encourage Beijing's new leaders to assume risks on new initiatives.

- The U.S. trade deficit with China is an important component of America's mounting global trade deficit. Little recognized, but critically important, is the fact that China has a small trade surplus with the world as a whole and an even smaller global current account surplus, all of which suggest that the problem is more to be found in the low rate of American savings than in unfair PRC trade practices, though those do exist.

All this notwithstanding, as the United States enters the 2004 general election season, Beijing's large bilateral trade surplus will likely become a political target of opportunity. Some in the United States are calling for Beijing to revalue the Chinese currency (the RMB) to make PRC exports less competitive. China is unlikely to do so anytime soon. Instead, the Bush Administration should continue to follow Secretary of the Treasury John Snow's lead in encouraging Beijing to progressively expand the band within which the RMB trades. This is consistent with encouraging the PRC to increasingly use market mechanisms rather than administrative fiat, and it would avoid an essentially politically determined revaluation that would shock relative prices in the international supply chain. At this point, a more market-determined RMB almost certainly would appreciate. Washington, however, should be careful about what it hopes for. If the RMB appreciates, it may affect Beijing's willingness to hold U.S. debt instruments, potentially affecting America's interest rates. Beyond this, Beijing would be well advised to drop some of its impediments to American

exports, with those in the agricultural sector being among the most important.

•France made a far-sighted move by inviting China's new president, Hu Jintao, to attend the Evian G-8 meeting in June 2003. With the United States hosting the next G-8 meeting, Washington should be seeking ways to upgrade China's role in the organization, thereby giving the PRC a further stake in the international system. One well-connected Chinese scholar put it this way at a recent meeting: "It is possible for China to join the G-8, and if the United States makes the offer that would be helpful." While some Americans and some in other G-8 countries might argue that not being a democracy makes China's full membership premature, China's mounting global economic role fits well with the economic origins of the organization. A way should be found to involve China meaningfully in the work of the G-8.

•The understandable tightening up of the U.S. visa issuance process is having an unintended consequence as it is currently being implemented: it disrupts the flow of Chinese students and busi-

nesspersons because inadequate consular resources are being provided to U.S. missions abroad. While comprehensive figures are not yet available, a great quantity of anecdotal information supports this contention.⁴ To paraphrase one astute European observer, "The U.S. is killing itself with its visa policies; education [is one of America's] greatest assets. [Our country] is happy to fill the vacuum. . . ." Washington needs to protect this channel of American influence and source of domestic economic and intellectual dynamism, even as it protects the security of its citizens.

In short, the United States and China have arrived at a juncture in bilateral relations that is nearly as normal as the relations between two great powers get. There is genuine potential in this moment. As they try to seize it, Americans must balance the impulse to treat China as it is with the foresight to recognize China for what it may become. □

⁴See, for example, Wang Jisi, "A View From China", *Foreign Policy* (July/August 2003).

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Iranian Options

Pragmatic Mullahs and America's Interests

Ray Takeyh

MUCH HAS changed in the Middle East during the past year. Saddam's tyranny has finally been displaced, and even the most recalcitrant Arab despots are speaking the language of political reform. In the midst of these cataclysmic changes, the one state in the region whose priorities and policies appear constant is the Islamic Republic of Iran. On the surface, the clerical state seems committed to its course of confrontation with the United States and to its defiance of international norms on issues such as terrorism and proliferation of weapons of mass destruction.

The remarkable events of the recent past, however, have had a subtle yet perceptible impact on Tehran's international orientation, opening the possibility for a new approach to the United States and the enveloping regional order. Throughout the late 1990s, despite the assumption of the presidency by the reformist Muhammad Khatami, factional politics, competing centers of power and the legacy of the revolution obstructed Iran's uneasy transition from a revisionist to a pragmatic state. Too often, national interests were sacrificed at the altar of revolutionary dogma.

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However, the exigencies of the post-Iraq war period and the massive projection of U.S. power on Iran's periphery have finally shattered old taboos and engendered a new consensus behind a foreign policy of moderation. For the first time, the clerical estate is willing to reach an accommodation with the United States on a range of thorny issues—including the future of Iraq, the structure of Persian Gulf security and even nuclear weapons. Paradoxically, it took the arrival of the hawkish Bush Administration and its wars in the Middle East to finally press Tehran toward a more judicious suppression of its retrograde revolutionary impulses. Unlike previous U.S. administrations, if the Bush team seeks a meaningful diplomatic dialogue with Iran, it will soon find a relatively reasonable interlocutor.

The Arc of Iranian Foreign Policy

SINCE THE Islamic Republic's inception in 1979, Iran's international orientation has undergone a steady yet halting march toward pragmatism. For Ayatollah Ruhollah Khomeini, the founder of the republic, the export of the revolution overrode the demands of Iranian national interest and the restrictions of statecraft. The Grand Ayatollah saw himself as acting not on behalf of a state, but the entire Islamic community. He therefore felt limited compunction about interfering in the

internal affairs of sovereign regional states. Iran would continuously sacrifice its tangible interests in order to foment uprisings in the Gulf sheikdoms, intensify Palestinian rejectionism and provoke unneeded confrontations with the United States. International isolation, economic hardship and a devastating eight-year war with Iraq were the sole byproducts of Khomeini's divisive diplomacy.

Khomeini's passing in 1989 inevitably led to a reassessment of Iran's foreign relations, as the task of reconstruction after the Iran-Iraq War necessitated coming to terms with the international community. However, the continued primacy of revolutionary passions prevented a fundamental break with the past. The substantive revision of Iran's orientation had to await the ascendance of moderate cleric Muhammad Khatami to the presidency in 1997. Although Khatami and his reformist allies failed to usher in a liberalized theocracy, they did set the stage for Iran's integration into the international community and generated an internal coalition dedicated to the notion that Iran could not remain beleaguered and isolated in an interconnected global order.

The reformist foreign policy focused on expansion of trade, cooperative security measures and diplomatic dialogue as a means of advancing Iran's interests and projecting its influence. Along these lines, Iran normalized relations with the Gulf states and the European Union and resisted the temptation of exporting its Islamist message to the contested lands of Central Asia. Ideological dogma and the propagation of revolutionary Islam were not only inconsistent with the reformist perspective, but also had a limited utility in the age of globalization. Khatami captured this sentiment by noting, "Foreign policy does not mean guns and rifles, but utilizing all legitimate international means to convince others."

Khatami's important accomplishments, however, were qualified. Policies on key

issues such as Iran's hostility to the United States and the Israeli-Palestinian peace process continued to derive from a self-defeating ideological calculus. Confident of their ideological verities and secure in their confrontational posture, Khomeini's remaining disciples—particularly the Spiritual Leader Ayatollah Ali Khamenei—employed their impressive institutional powers to undermine initiatives designed to lessen tensions with the "Great Satan." Beyond ideological rigidity, Iran's factional politics held foreign policy issues hostage to the domestic political stalemate. The conservatives, mindful of the enormous popular credit that reformers would reap should they succeed in normalizing ties with Washington, systematically subverted all such efforts. Through much of the late 1990s, Iran was a perplexing state whose foreign policy was driven by a contradictory mixture of revolutionary convictions and practical considerations. The Islamic Republic had reached an impasse.

The reactionary elements of the Iranian state could afford their confrontational ideology, as the benefits garnered by such militancy outweighed the costs. The American colossus was too distant, its leaders too fickle and its struggles against terrorism more symbolic than real. The Bush Administration, however, with its expansive vision for the Middle East and its military displacement of two recalcitrant regimes, has now confronted the Iranian Right with realities it can no longer ignore and responsibilities it can no longer evade. Although some within the conservative bloc, such as the head of the Guardian Council, Ayatollah Ahmad Jannait, continue to acclaim the virtues of defiance and militancy, an important and influential segment of the Right has defected to the reformist foreign policy line.

The first fracture in the conservative wall of solidarity appeared as the U.S. military campaign in Iraq gained momentum and achieved its objectives much faster than the masters of Tehran antici-

pated. As a conservative politician noted, "The fact that Saddam was toppled in 21 days is something that should concern all the countries in the region." The powerful head of the Expediency Council, Ayatollah Akbar Hashemi Rafsanjani, soon led the chorus by insisting,

We have lost opportunities in the past. We have made inappropriate measures or never made any measures. And we have delayed making decisions. Our ideology is flexible. We can choose expediency on the basis of Islam.

Rafsanjani went so far as to claim that relations with the United States should be extricated from the clerical state's political rivalries and be decided by a popular referendum. The traditionally obstructionist and rigid Khamenei seemed to have grasped the urgency of the times and the dangers that Iran's previous path now entailed, noting, "The Islamic Republic will not subject or push the country to war with anybody."

A powerful coalition of reformers and conservatives is coalescing around the understanding that, in the altered regional landscape, Iran must come to terms with the United States on issues of common concern. Although Iran's domestic political scene is still too fragile and contested for a grand deal, it is suitable for a series of narrowly defined arrangements over specific subjects. The stability of both post-war Iraq and the larger Persian Gulf region are objectives the two powers share and on which they can cooperate within a negotiated framework. Even on the issue of nuclear weapons, Iran's perspective and commitment is far from immutable, and adroit U.S. diplomacy can still empower those within Tehran's ruling oligarchy who seek to remain within the confines of their anti-proliferation commitments. Such a negotiation process can, in fact, presage a larger dialogue encompassing such provocative issues as normalized ties with the United States and lessened

Iranian hostility to the Israeli-Palestinian peace process. More than two decades after the Islamic Revolution, Iran may finally be evolving into a "normal" state dedicated to regional stability.

Persian Gulf Security and Iraq

FROM IRAN'S perspective, the Persian Gulf is the most important strategic arena, for it constitutes the most suitable link to the international petroleum market. Iran's vital economic and security objectives have led successive regimes in Tehran to seek predominance in the Gulf. However, having perceived that the demise of Saddam portends new strategic alignments, the clerical state now appears prepared to revise its previous stance. Iran seems poised to accept a regional security framework that not only avoids confrontation with the United States but may even accommodate the American presence.

In the late 1990s, Iran's policy toward the Persian Gulf underwent one of its most fundamental transformations. During the early stages of the revolution, Iran sought to assert its interests by subverting its neighbors and calling on opposition groups to emulate Iran's model and overthrow their regimes. For the sheikdoms, Iran was a threat to fend off, a rival to balance and an ideological alternative to negate. The solid support of the Gulf Cooperation Council (GCC) for Saddam's war against Iran and their close security collaboration with the United States testify to the drawbacks of Tehran's subversive policies. Khatami's tenure introduced far-reaching changes in Iran's approach, for the reformist regime appreciated the fact that Iran's strategic and economic interests could best be achieved through a policy of *détente*. Khatami's "Good Neighbor" policy led not just to the restoration of diplomatic and economic ties, but also to the initiation of security and intelligence cooperation between the

erstwhile nemeses. After decades of being scorned and subverted by Iran, the Gulf states breathed easier: the Islamic Republic finally recognized their legitimacy and domestic authority.

The second aspect of Khatami's détente policy was even more dramatic, as it constitutes a pronounced alteration of Iran's strategic perspective. Unlike his predecessors, Khatami no longer insisted that improving relations with the GCC states is contingent on the severance of their defense ties to the United States. Although Iran still maintains that the stability of the Gulf can best be realized through an indigenous alliance network, that stance is largely rhetorical and no longer guides Tehran's practical policy. The fact that Iran was inclined to normalize relations with the GCC states despite their flourishing links to the United States is an indication that Tehran is willing to live in a Gulf whose balance of power is determined by America. Indeed, Iran is gradually moving toward further modification of its posture and signaling a propensity to coexist with the United States in a sub-regional security structure. An America whose power is regulated by a regional network is certainly more preferable to Iran than one that exercises its influence in a seemingly arbitrary and unpredictable manner.

A similar pattern of grudging accommodation to the United States is beginning to color Iran's approach to postwar Iraq. The theocratic regime welcomed the demise of its historic foe but had deep reservations about the encroaching U.S. presence. Tehran had initially hoped that a quick military victory would lead to a UN occupation, obviating the need for a substantial U.S. presence. However, the firm American commitment to the reconstitution of Iraq and the sizeable U.S. military contingent has evaporated such hopes and generated a new set of concerns in Tehran. Will the United States employ Iraq as its proxy in the Gulf, reviving its 1970s policy of empowering a friendly local regime to

enforce its dictates? Will the United States and a prospective Iraqi regime devise a regional security alignment designed to marginalize and pressure Iran? All these issues hover over Tehran's strategic planning, as the United States militarily occupies yet another bordering country.

SINCE THE beginning of Operation Iraqi Freedom, the Bush Administration has periodically complained of the bewildering pattern of cooperation and confrontation that constitutes Iranian policy. Initially, Iran maintained strict neutrality and even pledged to assist U.S. pilots in distress. Upon completion of the military phase, however, Tehran began infiltrating men and supplies into Iraq, leading many in Washington to perceive this as yet another indication of Iranian mischief. Yet there is an alternative explanation for their actions: In an atmosphere of strategic ambiguity, in which Iran is unsure and unaware of U.S. plans, it is attempting to influence modestly an arena of critical importance to its stability. As such, Iran's promotion of its Shi'a allies, such as the Supreme Council of the Islamic Revolution, is not so much a gesture of solidarity with its co-religionists as a way of ensuring that a future Iraqi government features voices willing to engage with Iran. Tehran has no illusions about the Iraqi Shi'a community subordinating its communal interests to Iran's prerogatives; it merely hopes that promotion of the Shi'a parties will provide it with suitable interlocutors. It is important to note that Iran's policy toward Iraq, as elsewhere in the Gulf, is now predicated on carefully calibrated calculations of national interest, as opposed to a messianic mission of exporting the revolution. As such, Iran can still be a constructive, albeit feisty, actor in the unfolding drama of postwar Iraq.

In recent months, Tehran has been sending subtle signs to the United States that it is hoping to avoid conflict over Iraq. Foreign Minister Kamal Kharrazi

has dismissed the notion that Iran will seek to export its revolution to the chaotic scene in Iraq, noting, "No Iranian official has suggested the formation of an Iranian-style government in Iraq." The influential conservative politician, Muhammad Javad Larijani, has gone even further than Kharrazi, claiming, "Iran's experience is not possible to be duplicated in Iraq." The most significant point to take from Iran's declarations is their understanding that developments in Iraq should not lead to military clashes with the United States. The powerful Secretary of Iran's National Security Council, Hasan Rowhani, was insistent on this point: "Tehran does not want confrontation and friction with America over Iraq." The Iranian state finds itself in the difficult position of seeking to advance its objectives in the context of tense U.S.-Iranian relations. A more concerted dialogue, in which Washington can engage Iran and assure it that its legitimate interests will be taken into account, can go a long way to dispel Iranian suspicion and misbehavior.

Given the apparently durable U.S. presence in the Gulf and Iran's emerging pragmatic proclivities, the Bush team is in a unique position to construct a regional framework that would ensure the long-term stability of this critical area. Since the collapse of the British imperium, the United States has experimented with a variety of policies to stabilize the Gulf, ranging from promoting the Shah of Iran to the dual containment of both Iran and Iraq. But all these policies failed, as regional rivalries, tensions and conflicts granted the Gulf the dubious distinction of being one of the most dangerous and unpredictable strategic environments in the world. It is time for the United States to borrow a page from its European experience and seek to construct a security structure in the Gulf that encompasses all the region's powerbrokers, including Iraq and Iran.

Such a network can evolve gradually,

beginning with confidence-building measures and arms control compacts and eventually evolving into a full-scale security system that resembles institutions such as the Organization for Security and Cooperation in Europe. Under the auspices of such a regional organization, the local states can gradually extend the scope of their cooperation and devise common markets and free trade zones. Such interlocking security and economic arrangements will give Iran, historically a revisionist state, a stake in upholding a status quo that it now finds compatible with its national interests. Indeed, an American policy that seeks to mollify Iran's concerns can have a salutary impact on Tehran's objectionable policies, such as its drive for nuclear weapons and sponsorship of terrorism.

Iran and the Bomb

NO OTHER issue has disturbed the Bush Administration, and indeed the entire international community, more than Iran's desire for nuclear weapons. The largely completed Bushehr plant, the extensive uranium enrichment facilities in Natanz and a similarly advanced uranium conversion plant in Esfahan indicate that Iran is coming perilously close to a fully-functioning, indigenous nuclear weapons capability. But all is not lost, for influential voices in Tehran are calling for restraint and sensing that possession of such weapons will ill-serve Iran's core interests in the new Middle East. A more imaginative U.S. policy can still make a meaningful impression on Iran's deliberations and empower those factions that seek to remain within the confines of Iran's non-proliferation commitments.

Iran's nuclear calculations are not derived from revolutionary designs but from a desire to craft a viable deterrent capability against a range of evolving threats. Foremost on that list was Saddam's Iraq, which had employed chemical

weapons against both Iran's cities and civilians. Given the demise of Saddam, however, America has emerged as Iran's foremost strategic challenge and the primary motivation behind its nuclear weapons program. The Bush Administration's "axis of evil" rhetoric and its imperious doctrine of pre-emptive force as a tool of counter-proliferation and regime change has further intensified Iran's quest for a nuclear deterrent. A range of figures, both reformers and conservatives, have actively touted possession of nuclear weapons as the only way to deter an encroaching American superpower. As the reformist politician Mostafa Tajzadeh noted, "It's basically a matter of equilibrium. If I don't have them, I don't have security." Denoting the diverse coalition behind such a program, archconservative commentator Amir Mohebian ironically echoed Tajzadeh, castigating the perceived double standard of the United States: "The Americans say, in order to preserve the peace for my children, I should have nuclear weapons and you should not have them." On the surface, it appears that Iran has made its decision and is firmly committed to an accelerated path to nuclear arms.

The emerging Iranian pragmatic instinct, however, has even begun to erode the evident consensus behind the nuclear program. An influential segment of the theocratic oligarchy insists that acquisition of such weapons will only accentuate Iran's strategic vulnerabilities and destroy its carefully cultivated security and economic ties with the Gulf states and the European Union. Iran's Defense Minister, Ali Shamkhani, has acknowledged such dire possibilities. "The existence of nuclear weapons will turn us into a threat that could be exploited in a dangerous way to harm our relations with the countries of the region", he said. Indeed, a weapon designed to enhance Iran's position could lead to its isolation, as the Gulf states are likely to cement further ties with Washington as a means

of counter-balancing a nuclear-armed Iran. Moreover, the economic cost of crossing the nuclear threshold is likely to be considerable, as the European Union would certainly impose rigorous sanctions to punish Iran's transgression. At a time when Iran is in dire need of foreign investments, such a move would jeopardize not just the regime's economic plans but potentially the entire edifice of the Islamic Republic. As President Khatami's chief advisor on nuclear issues, Gholamreza Aghazadeh, has acknowledged: "Peace and stability cannot be achieved by means of nuclear weapons."

Given that much of Iran's nuclear program is being driven by the need to deter the United States, the Bush Administration has the opportunity to defuse another proliferation crisis in the Middle East by alleviating Tehran's anxieties. By tempering its rhetoric and assuring Iran that its concerns will be taken into account in Iraq and the Gulf, Washington can empower the internal factions that insist Iran's interests will best be served by upholding its non-proliferation commitments. An Iran that is integrated into a regional security framework and derives benefits from such an arrangement is more prone to dispense with its nuclear arms than a beleaguered Iran under constant U.S. pressure.

The Peace Process and Terrorism

AMONG THE most entrenched Iranian positions is its relentless hostility to Israel and the diplomatic efforts to resolve the Israeli-Palestinian conflict. Iran's approach is still largely conditioned by an ideology that perceives Israel as a usurper of sacred Islamic lands and a pernicious agent of Western imperialism. For Ayatollah Khamenei, Israel remains "the universally recognized enemy of Islam and Muslims." Iran's incendiary rhetoric has been buttressed by action—Tehran is

a generous benefactor to Palestinian rejectionist forces and terrorist organizations. Since the inception of the Islamic Republic, Iran has defied the laws of international politics by pursuing an irrational policy toward the peace process that has subordinated its practical interest to ideological imperatives.

As with most aspects of Iran's policy, however, competing interests are beginning to erode Tehran's militancy. Iran's rhetoric may still be laced with invectives against the peace process, but in practice the clerical state is unwilling to obstruct a peace treaty that enjoys the support of the Palestinians and Arab states such as Saudi Arabia and Egypt. Should a regional consensus for peace with Israel evolve, Iran will reluctantly accept that determination. "We do not intend to impose our views on others or stand in their way", said Khatami. The recent Palestinian acceptance of the roadmap was treated with surprising equanimity in Tehran: witness Foreign Ministry spokesmen Hamid Reza Asefi's insistence that Iran "will in no way interfere with the decisions of the Palestinian groups. We respect all decisions taken by the majority of the Palestinians." Whatever its ideological dispositions, Iran is increasingly recognizing that its interests in the Middle East and its relations with Arab states outweigh a lonely struggle against a peace process that is buttressed by a regional consensus.

Beyond the intricacies of the peace process, the price of supporting forces such as Hizballah is gradually becoming too costly for the theocratic state in the age of America's war on terrorism. While Iran's sustained support for rejectionist forces garnered it much popularity in the region in the past, such conduct today makes it a possible target of U.S. retaliation. In an ironic twist of events, Iranian leaders who previously sought to instigate violence by Hizballah are now urging it to behave with restraint. In his May trip to Lebanon, Khatami pointedly echoed this theme:

We know full well that the enemies of peace and freedom in our region are trying to expand the cycle of tension. We appeal to Lebanon, as a country and society, to be cautious of this danger.

The guardians of the theocracy are beginning to discern that tempering their approach to the peace process is a policy that Iran may soon find to be in its interest.

In a similar vein, the Iranian officialdom is recognizing the high price of dealing with Al-Qaeda. There have long been credible reports suggesting that senior members of Al-Qaeda have taken refuge in Iran, with possible assistance from elements within the regime. It is not hard to believe that members of the Iranian Right and the Revolutionary Guards would do so, for they sympathize both with Al-Qaeda's ideology and its methods. In fact, in a remarkable move, Iran's Intelligence Minister, Ali Yunesi, acknowledged that Tehran was holding both "small and big-time elements of Al-Qaeda." Such "big-time" members include Saif al-Adel, Al-Qaeda's security chief, and Suleiman Abu Geith, its spokesman. That the intelligence ministry, which is currently controlled by reformers, has now apparently apprehended such figures indicates that the central government is finally reigning in radical elements in the Revolutionary Guards and preventing their freelance engagement in terrorism. The Iranian regime is beginning to appreciate that such conduct presently entails an unacceptable risk.

Although many aspects of Iran's foreign policy have altered, on the surface its approach to the peace process and terrorism nevertheless seems least affected by pragmatism and compromise. However, given the Bush Administration's determined war on terrorism and its willingness to displace objectionable regimes, Iran's theocracy faces pressures it increasingly can no longer tolerate, forcing it toward some modification of its dogmatic

stance. If the Bush team can complement its successful hawkish policies with a greater propensity to engage Iran on its core issues of concern, it may be able to deter Tehran effectively from its pernicious policy of employing terror to obstruct peace between Israel and its neighbors. The recent pattern of Iran's international policy, whether on nuclear weapons or the future of Iraq, demonstrates that its belligerence is not absolute and can be affected by a range of competing factors. A U.S. policy that combines relentless opposition to terrorism with a willingness to engage Iran can go a long way toward extricating the Islamic Republic from the Israeli-Palestinian arena, which in turn, will improve the possibility of a solution dramatically.

OVER THE past two decades, Iran has been undergoing a transition from a revolutionary state determined to overhaul the regional order into a conventional power basing its policies on national interest calculations. However, the ideological legacy of the revolution and the domestic political impasse of the last few years have obstructed the reformers' efforts to fully come to terms with the international community. On a range of issues such as sponsorship of terrorism and relations with the United States, Iran's hostility seemed intact and its policies congealed in the past. But post-September 11 developments have jolted the Iranian leadership, forcing it to contemplate not just an adjustment of its policies but a significant shift in its prevailing paradigms. An influential conservative fac-

tion is joining with the reformers to call for an accommodation of Iran's newest neighbor, the United States. At a time when the United States is occupying two bordering countries and is widely discussing the transformation of the entire Middle East, Iranian leaders are beginning to appreciate that they can no longer afford ideological crusades.

The Bush Administration finally has an opportunity to arrive at the *modus vivendi* with Iran that has eluded previous U.S. administrations. Instead of seeking to undermine the Iranian regime, Washington should capitalize on its emerging pragmatic tendencies and reach a settlement with the theocracy on issues of common concern. The Iranian regime is not a loose cannon, as was Saddam Hussein's Iraq; it is a state with competing internal dynamics that can be prudently managed in the direction of gradual reform. Inciting the country toward a second revolution, with all the unintended consequences that would accompany it, is in no one's national interest. A concerted effort to develop a regional order designed to integrate all the Gulf states into a security structure can not only stabilize the entire region but also provide a platform for negotiated restrictions on Iran's nuclear research program. Indeed, a greater degree of dialogue between Washington and Tehran can have a positive impact on the theocracy's approach to the Israeli-Palestinian conflict. As the United States contemplates the future of the Middle East, it is best to reciprocate Iranian pragmatism with a measure of U.S. flexibility. □

Old Dogs & New Tricks

Now is the era of economy, consumption, markets and investments. This is what unites people irrespective of language, religion and national identities.

—Muammar Qaddafi, September 2000

Leashing the Dogs of War_____

—David B. Rivkin, Jr. & Lee A. Casey_____

WAR HAS always had rules, even if only to protect the dead. In *The Iliad*, for example, Homer tells us that Achilles' desecration of Hector's corpse angered the gods. Medieval churchmen sought to limit warfare to certain days of the week and evolved an entire just war theology to constrain the use of armed force. By the Age of Reason, international law "publicists" were busily expounding on the subject, and the 20th century opened with a substantial body of law governing both the right to initiate combat (*jus ad bellum*) and how armed force is applied (*jus in bello*). These "laws of war" were based both on custom and treaties and were accepted by all of the Great Powers—including the United States. In more recent years, however, fissures have opened between America and Europe over what the laws of war require with respect to when it is permissible to launch an armed attack, how warfare must be waged, and how the relevant legal norms should be enforced. Today, these disagreements are so fundamental that America and its partners in Europe can be said to operate under different legal codes.

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The core of this divergence can be traced to efforts—largely initiated during the Vietnam War era—both to leash the dogs of war and make the laws of combat more humane by mimicking the rules governing domestic police activities, in which deadly force is always the last resort and must not be applied in an "excessive" manner. In the process, "humanitarian" concerns were to be elevated above considerations of military necessity and national interest.

These efforts have taken the form of multilateral conventions, such as the 1977 Protocol I Additional to the 1949 Geneva Conventions (Protocol I) or the 1997 Ottawa anti-landmine convention, and of new interpretations of existing treaties (such as the UN Charter), or of customary norms. Although the United States helped to negotiate a number of these treaties, it has steadfastly rejected the most sweeping innovations, favoring instead more traditional *jus ad bellum* and *jus in bello* norms. In particular, the United States has clearly asserted that it will use force, where necessary, to defend its interests with or without UN Security Council approval, and has rejected agreements that could be interpreted as contrary to key aspects of U.S. military doctrine.

This reticence is not part of a nefarious American effort to achieve immunity from international law, as critics have sometimes asserted. Unlike many coun-

tries, which embrace new international conventions with little intent to comply thereafter, the United States has always taken its obligations seriously—refusing, for example, to ratify treaties it does not plan to implement, whether because of policy or constitutional concerns. What the critics fail to realize is that binding international legal obligations must be based on the consent of the affected states. They cannot be imposed. In eschewing many of the new international legal norms accepted by Europe, the United States has simply acted within its legal rights as an independent sovereign.

Nor does the American refusal to follow Europe's lead in this area stem from any lack of humanitarian zeal. Rather, it can be traced to recognition by the United States that the world remains a dangerous place, and that adoption of a "policing" model for warfare would hamper, if not cripple, America's ability to defend itself—and its allies. Peacetime norms, which guide the conduct of police and security establishments in modern democracies, are far more restrictive than the laws of war because they operate in an environment in which the state has an effective monopoly on the lawful use of force, and in which the damage that any single individual or group can inflict is limited. The laws of war, by contrast, apply in a context in which the state does not have a monopoly on either the lawful right to use force or on the use of the most destructive weapons. War and peace remain different worlds, each with a unique logic and distinct imperatives that require dissimilar rules.

Accepting a "policing" model for warfare would undermine the key tenets of American strategic thinking. For starters, the fundamental American doctrine of "decisive force" would have to go. Any robust use of force is certain to cause some civilian casualties, and, under a model of armed conflict better suited to "managing" problems than winning wars,

decisive force would be considered "excessive" and subject to sanction. Similarly, the high value the United States places on force protection would be suspect under these rules. Indeed, one of the principal allegations leveled against the United States is that it has improperly sought to shield its soldiers from the dangers of combat—for example, by operating its aircraft at heights well beyond the range of enemy air defenses, making it difficult in many cases to distinguish between military and civilian targets.

Overall, the importance of this Euro-American doctrinal divergence cannot be overestimated. For the first time in modern history, the principal military powers differ fundamentally over the proper rules governing warfare.

The Legitimate Use of Armed Force

NOWHERE are the divisions between the United States and its European allies deeper or more apparent than on the question of when the use of armed force is legally permissible. In the months prior to the Coalition attack on Iraq, France and Germany insisted that force could be used legitimately only after passage of an additional UN Security Council resolution specifically authorizing it. This interpretation became the European Union mantra. Of course, the Coalition went forward regardless. Yet even such key European members of the Coalition as Britain relied solely upon Security Council resolutions for legal justification.¹ Unlike the United States, it did not also cite the inherent right to use force in self-defense. Indeed, while Europe has increasingly come to consider the UN Security Council to be the primary—if not the sole—source of legitimate authorization for the use of mil-

¹"Parliamentary Answer on the Legal Basis for the Use of Force Against Iraq", March 17, 2003.

itary force, the United States, in its September 2002 *National Security Strategy*, articulated a policy of strategic “pre-emption” firmly rooted in the traditional *jus ad bellum*.

Proponents of the European position cite the United Nations Charter, an instrument that *does* bind the United States and arguably limits the right of self-defense. Certainly some of the UN’s “founders” wished to “outlaw” war, and even to require countries to absorb an aggressor’s first strike. (This appears to have been, for example, the position of former Minnesota Governor Harold Stassen, a member of the American delegation to the San Francisco conference. Stassen insisted that the Charter’s acknowledgement of the “inherent right of individual or collective self-defense” also include the language “if an armed attack occurs.”) The Charter as written, however, did not reflect this purpose.

Indeed, the UN Charter never purported to replace the *jus ad bellum*. In this regard, it does not grant the right of self-defense, but *acknowledges* it, suggesting the continued viability of pre-Charter customary norms. When the Charter is read as a whole—as it must be—states retain the right to use force so long as they do not threaten the “territorial integrity” or “political independence” of another state, or otherwise act in a manner inconsistent with the United Nation’s purposes. Indeed, the veto power—which was the *sine qua non* of American participation in the UN system—would have been virtually meaningless in this critical area if the Security Council’s mere inaction were sufficient to deny legal legitimacy to the anticipatory defensive use of force. (Significantly, this interpretation of the Charter did not originate with the Bush Administration. For example, in a 1962 legal opinion on America’s lawful alternatives in the Cuban missile crisis, the Kennedy Justice Department noted that the UN Charter does not “prohibit

the taking of unilateral preventive action in self-defense prior to the occurrence of an armed attack.”) And, at a time when civilians, rather than combatants, have become the targets of choice for both rogue regimes and international terrorist networks, and when at least some of these groups appear to be beyond deterrence, pre-emptive military action taken in self-defense is far more likely to promote international peace and security than it is to threaten it.

The survival of traditional self-defense norms becomes especially clear when the actual practice of states as well as the Security Council’s track record over the past fifty years are examined. From its first years, the Security Council has been torn by divisions among its veto-wielding members and has been singularly ineffective as a guardian of international peace and stability. The hopes that the end of the Cold War would revitalize the Council have not panned out. By contrast, UN member-states have continued to use force unilaterally and with considerable frequency. As Michael J. Glennon, who argues that the UN Charter did intend to limit strictly the use of armed force even for defensive purposes, has correctly observed:

The question—the sole question, in the consent-based international legal system—is whether states have in fact agreed to be bound by the Charter’s use-of-force rules. If states had truly intended to make those rules obligatory, they would have made the cost of violation greater than the perceived benefits. They have not. The Charter’s use-of-force rules have been widely and regularly disregarded. Since 1945, two-thirds of the members of the United Nations—126 states out of 189—have fought 291 interstate conflicts in which over 22 million people have been killed.²

²“Preempting Terrorism: The Case for Anticipatory Self-Defense”, *The Weekly Standard*, January 28, 2002.

This practice cannot be ignored, whether it is interpreted as being consistent with the correct meaning of the original UN Charter or as declaratory of new (or established) international law norms. It is state practice that “makes” international law, either through the development of customary norms or the interpretation and application of treaties. Because states that signed and ratified the UN Charter, particularly those substantially capable of using military force, have continued to consider themselves free to defend their interests by force of arms with or without Security Council approval, the Charter must be interpreted as consistent with that right.

Nevertheless, in spite of this ever-increasing body of state practice supporting the anticipatory use of force, much of Europe (including important NATO allies like Britain, Germany and France) appears dedicated to the proposition that, absent a direct attack on a state’s territory, only the Security Council can authorize a legitimate use of force. At the same time, in the wake of September 11, no American president could accept a rule whereby the United States must, in the absence of the Security Council’s specific blessing, absorb a first strike.

How War Must Be Fought

EVEN WHERE the United States and its allies agree that initiating military action is appropriate and lawful, they are rapidly growing apart in their understanding of the all-important rules governing the actual conduct of warfare, the *jus in bello*. Indeed, because European armed forces have moved toward the “policing” model, in stark contrast to American adherence to the traditional laws and customs of war, transatlantic views on how military operations must be conducted are now quite divergent.

Neither the purpose nor effect of the *jus in bello* was to forbid the robust use of

force. Although the laws of war always included a humanitarian element—as early as the 1580s, Spanish publicist Balthazar Ayala noted that the “intentional killing of innocent persons . . . is not allowable in war”—they were originally developed to benefit soldiers and were shaped by the imperatives of military necessity. The balance between military necessity and humanitarian considerations was struck using the principles of “distinction” (only combatants and military objectives may be targeted for attack) and “proportionality” (the use of force must balance military necessity against the likely damage to civilians or civilian objects).

The overall result was a set of rules that were accepted as a positive good by all civilized states. These rules can be broadly summarized as follows: (1) only sovereign states have the right to make war; (2) civilians cannot be deliberately attacked; (3) combatants can be attacked either *en masse* or individually; (4) quarter is to be granted when sought; (5) lawful combatants, when taken prisoner or otherwise incapacitated by wounds, are to be accorded the respect and privileges due prisoners of war (POWs); and (6) while all forms of force can be deployed in combat, certain weapons designed to cause unnecessary suffering are proscribed.

This code was tested to the breaking point during the world wars, but its general outline survived and was incorporated into the four Geneva Conventions of August 12, 1949.³ Like customary *jus in*

³The Geneva Convention I for the Amelioration of the Condition of the Wounded and Sick in Armed Forces in the Field; the Geneva Convention II for the Amelioration of the Condition of Wounded, Sick and Shipwrecked Members of Armed Forces at Sea; the Geneva Convention III Relative to the Treatment of Prisoners of War; and the Geneva Convention IV Relative to the Protection of Civilian Persons in Time of War. These have been ratified by virtually every state, including the United States.

bello, the Geneva Conventions neither sought nor purported to interfere with the ability of states to prosecute an armed conflict successfully, and their application did not depend upon the justice of the cause at issue. As explained by the International Committee of the Red Cross (ICRC) in its commentaries on these treaties,

the application of the Convention does not depend on the character of the conflict. Whether a war is 'just' or 'unjust', whether it is a war of aggression or of defense, the protection and care due to the wounded and sick are in no way affected.

The reasoning behind the practical nature of both customary law and the Geneva Conventions was obvious: a humanitarian "law" that impeded the ability of states to defend their vital interests would, in practice, amount to nothing but a series of pious aspirations. Traditional norms did, therefore, favor established states.

Efforts to change this began after World War II and were dramatically accelerated in the 1960s and 1970s, in part because of hostility to American involvement in Vietnam. They involved an odd alliance of human rights activists, supporters of "national liberation" movements and Third World governments. While all had different agendas, these groups shared one overarching objective: a desire to "reform" traditional *jus in bello* norms in ways which would benefit "progressive" non-state entities and handicap traditional state-sponsored military establishments.

Their endeavors, culminating in the 1977 Protocol I Additional to the 1949 Geneva Conventions, were directed at two goals in particular. The first was to revise the long-standing rule that only states can create and utilize military establishments that are legally "privileged" to use force, and the related requirement that all legitimate militaries must organize and operate

like "regular" armed forces in order to maintain their "privileged" status. The second was to bestow additional protections from "collateral damage" during war on civilian populations, undermining the ability to wage vigorous combat. The clear import of these reforms was that some military establishments were to be held to higher standards than others. Faced with these developments, the United States has registered strong disagreements with its allies (not to mention numerous NGOs) and, while all of Europe's military powers (including Britain, Germany and France) have ratified Protocol I, the United States has not.

LAWFUL COMBATANCY

President Reagan stated the main U.S. objection to Protocol I in 1987:

It would give special status to 'wars of national liberation' . . . and grant combatant status to irregular forces even if they do not satisfy the traditional requirements to distinguish themselves from the civilian population.

These requirements were that all lawful combatants be sanctioned by a state *and* meet four minimum criteria: (1) be subject to a responsible chain of command; (2) wear uniforms; (3) carry their arms openly; and (4) conduct their operations in accordance with the laws and customs of war. Groups that did not meet these requirements were considered unprivileged, and their individual members could be severely punished for nothing more than engaging in hostilities. As noted in the British *Manual of Military Law*, applicable during the world wars:

If persons take up arms and commit hostilities without having satisfied these conditions, they are from the enemy's standpoint guilty of illegitimate acts, and, *when captured, are liable to punishment as war criminals* [emphasis added].

Unprivileged combatants are also not

entitled to the multifarious rights and privileges guaranteed to POWs by the 1949 Geneva Conventions and customary international law.

By contrast, Protocol I, at least arguably, eliminates the requirement of government sanction for lawful combatant status, and the rules requiring uniforms and the open carriage of arms are relaxed. In this regard, under Protocol I, irregular forces need to produce their arms and identifying badges only immediately before launching an attack, and can only be targeted themselves while preparing for an attack or attacking. At all other times, Protocol I requires irregulars to be treated as civilians, who can be arrested, but not targeted. Obviously, these changes bestow a dramatic advantage on the hit-and-run tactics favored by guerrillas, and seriously handicap regular armed forces.

In accordance with traditional *jus in bello* norms, the United States considers both Al-Qaeda and the Taliban operatives to be unprivileged combatants and has properly denied them POW status. Unfortunately, this decision has opened a rift with America's European allies, many of which act as if Protocol I applies to the United States, even without its consent. Some in Europe have actually questioned their governments' right to transfer individual Al-Qaeda and Taliban members to the United States, and British units operating in Afghanistan in 2001–02 evidently *feared* capturing Osama bin Laden, since they might not have been able to turn him over to American forces. Indeed, this problem persists in Iraq, and is magnified by another quandary—the British, because of the combination of domestic legislation, Protocol I strictures and EU obligations, are apparently unable to utilize any form of military tribunals to prosecute and punish either unlawful Iraqi combatants or those lawful Iraqi combatants that have committed war crimes. This situation has greatly complicated the

Coalition's ability to deter attacks on its forces in Iraq.

While the comparatively harsh treatment accorded to unprivileged combatants by the *jus in bello* may jar “progressive” sensitivities, it does not reflect either a shortage of compassion by the United States or some formalistic American veneration of the old pedantic legal paradigm. Rather, this approach constitutes one of the first major humanitarian advances in the modern laws of war and is therefore, well worth upholding. It was, in fact, the centralization of the right to make war in the state, rather than in powerful aristocrats or self-sustaining *condottieri* bands, that brought civil peace and order to Europe, marking the transition from a medieval to a modern world. This centralization also fostered the conditions for the establishment of regular, disciplined armies capable of respecting the laws of war, *and inclined to do so*. At the most fundamental level, the state sanction requirement reflects the distinction—between force used for public ends and violence used for private purposes—that constitutes the moral core of the traditional laws of war. The many governments and NGOs that claim to be committed to the development of “humanitarian” *jus in bello* norms have in truth accepted the elimination of these critical distinctions between privileged and unprivileged combatants, even though maintaining the difference between public and private uses of violence is essential if war is to retain its moral context, or, as George Weigel notes, be “something that can be used for good or evil, depending on who is using it.”

To be sure, many who have promoted a “lawful” status for irregular combatants have done so in an effort to bring them “within the system”, in the hope that, once privileged, guerrillas would behave better in their own operations. It has not, unfortunately, worked out that way. Since

Protocol I was opened for signature in 1977, there has been a worldwide explosion in the use of terror tactics with ever-increasing ferocity and deliberate attacks on civilians. Indeed, today, the gravest threat to American security comes not from groups that, if privileged, would happily comply with the laws of war, but from entities that simply reject the entire system. Terrorist organizations such as Al-Qaeda and the Taliban have repudiated the whole notion of law in war as something alien to their own theological imperatives. Indeed, things have reached a point where the use of irregular attacks purposefully directed at civilians in the form of suicide bombers has been practically, if not formally, accepted by virtually all of the Arab countries, by much of the Third World and by many in Europe as a legitimate form of Palestinian “resistance.” For this reason, continuing to draw sharp legal distinctions between lawful and unlawful forms of combat in an effort to delegitimize and stigmatize unprivileged combatants is an indispensable component of any successful counter-terrorism strategy.

COLLATERAL DAMAGE

In addition to eroding the limitations on *who* can resort to armed force, Protocol I also addresses *how* that force is applied. In planning operations and selecting targets, the armed forces must distinguish between military and civilian objects. This principle of “distinction” is universally accepted and fully endorsed by the United States. The U.S. Army’s Field Manual notes that the only valid targets for attack are

combatants and those objects which by their nature, location, purpose, or use make an effective contribution to military action and whose total or partial destruction, capture, or neutralization, in the circumstances ruling at the time, offer a definite military advantage.

However, the principle of distinction never imposed a zero civilian casualty requirement. Rather, the only obligation is that the number of civilian casualties that result unintentionally from an attack (“collateral damage”) cannot be disproportionate to the importance of the overall military objective to be gained. Together, these principles of distinction and proportionality are intended to limit the amount of collateral damage to non-combatants in war.

Protocol I, however, was designed to impose far more stringent limitations on the acceptable level of collateral damage than did traditional *jus in bello* norms. Under Article 57 of that document, for example, parties are required to take “constant care . . . to spare the civilian population.” Moreover, when

a choice is possible between several military objectives for obtaining a similar military advantage, the objective to be selected shall be that the attack on which may be expected to cause the least danger to civilian lives and to civilian objects.

These, of course, are prime examples of the effort to graft domestic policing rules onto the laws of war without any regard for their military consequences. Any armed force that invariably selects the object or avenue of attack that presents the least danger to civilians inevitably reveals the precise course of its campaign to the enemy. The element of surprise is thus lost, and the likelihood of defeat is increased. Ironically, in addition to being militarily disadvantageous, such a requirement would be highly counter-productive from a humanitarian perspective as well, in that it could lead in many cases to far more protracted conflicts than a decisive and massive use of force at the very outset of combat. All things being equal, more protracted fighting results in higher non-combatant as well as combatant casualties. As Francis

Lieber, who authored the first comprehensive *jus in bello* code for the U.S. Army in 1863, wrote: "The more vigorously wars are pursued the better for humanity. Sharp wars are brief." Accordingly, the traditional *jus in bello* norms were not overly prescriptive, allowing military commanders to exercise broad discretion in complying with the requirements of discrimination and proportionality.

Nevertheless, Europe embraced Protocol I based on the document's avowed humanitarian aspirations, and this has already materially affected NATO operations. At the beginning of the 1999 NATO air campaign against Slobodan Milosevic's Yugoslavia, NATO evidently resolved to meet the requirements of Protocol I (even though not all of its members were bound by that instrument). Consequently, its targeting decisions were driven by a desire to avoid civilian casualties, resulting in a widely criticized "command by committee" approach. According to a recent assessment, targets were divided into three groups, with any NATO government able to veto a move from one target set to another. These groupings included "Phase I" targets that were "indisputably military", such as troop concentrations; "Phase II" targets involving dual civilian and military use objects, such as power stations, refineries and bridges; and "Phase III" targets—those locations "associated with Serb repression." Clearly, the last category would be the least defensible under Protocol I, since attacking them would not have contributed directly to military victory. The rules, under which NATO launched military operations in large part to protect the Kosovo Albanians from "ethnic cleansing" but was unable to apply adequate firepower to halt this conduct immediately, produced perverse results in both the military and humanitarian sphere.

Similarly, Coalition forces fighting in Iraq, partially because of political considerations and partially because of British con-

cerns, adopted exceptionally restrained rules of engagement. For example, the U.S. rules required that any attacks that carried the risk of more than thirty civilian casualties had to be approved at the highest command level, up to and including the Secretary of Defense. Of course, there are real and immediate costs associated with rules of engagement designed primarily to avoid collateral damage. Fortunately, to date these costs have been occluded by U.S. military superiority and mostly assumed the form of lost opportunities.

In Afghanistan, for example, Taliban leader Mullah Omar appears to have been one beneficiary of these stringent rules, as he reportedly made good his escape when U.S. forces were denied timely permission to attack his convoy. According to one *Washington Post* report, such considerations have prevented operators of the armed Predator drones from opening fire on terrorist targets at least 15 times. Similarly, numerous U.S. special operations have been altered or canceled altogether because of concern for excessive collateral damage. If this policy continues, it will certainly prolong the war on terror, and the problem would become much more acute if these stringent but discretionary rules of engagement are transformed into new legal requirements, which would brook no deviation, no matter how compelling the military need.

However, even with these elaborate safeguards in place, the United States and its allies have been accused of "war crimes" in all their recent military engagements. Such complaints about the NATO air war against Yugoslavia were actually considered by the prosecutor of the International Criminal Tribunal for the former Yugoslavia, and there is little doubt that Protocol I's provisions regarding civilian casualties are also the basis of recent claims that U.S. forces committed "war crimes" in Afghanistan and Iraq. Similarly, in its assessment of the April 2002 Israeli incursion into Jenin, Amnesty

International concluded that the Israeli Defense Forces (IDF) had applied a “disproportionate use of force” because they inflicted roughly thirty civilian casualties. This criticism was all the more ironic because the IDF resorted to house-to-house combat, refusing to use stand-off weapons and artillery out of a concern for civilian casualties, and lost over thirty of its own soldiers as a result. An even more fundamental problem was that Amnesty failed to analyze seriously the IDF’s military imperatives, without which it could not, by definition, perform any proportionality analysis. Instead Amnesty was content to assert that war crimes were committed merely because some civilians died in combat. Under this Manichean standard, any use of force whatsoever would necessarily be deemed illegal under Protocol I.

OVER-REGULATING WAR

The zero collateral damage problem aside, the new *jus in bello* norms, reflected in Protocol I and embellished by various academic commentators, have become overly proscriptive and prescriptive. What used to be a few simple normative principles, to be considered by well-trained soldiers when making battlefield decisions, have become something akin to a complex regulatory code to be applied by lawyers on a case-by-case basis, with the full benefit of hindsight. Many of Protocol I’s key provisions are phrased in terms like doing “everything feasible”, or taking “all feasible precautions”, or acting “to the maximum extent feasible.” Such terminology defies objective definition, making it all but impossible to assess compliance at the time any particular action is taken. Open-ended legal proscriptions are bad enough in the context of human endeavors in peacetime; they are particularly pernicious in the confusing and confused context of combat, where human judgment is stressed to the utmost and the fog of war reigns. The treaty thus leaves all military

forces in combat of any kind open to allegations that they have violated its requirements, for no vigorous combat action could ever comply with Protocol I’s strictures. In fact, the only certain way to comply with the treaty is simply to avoid armed conflict altogether.

Protocol I’s potential to benefit practitioners of “asymmetric” warfare, not to mention downright criminals, has not gone unnoticed. Both Palestinian militants and Saddam Hussein’s Iraq have deliberately placed their own civilians in harm’s way in the hope that Israeli or U.S. forces accidentally kill them. (This is particularly the case since Protocol I has also been interpreted to require a higher standard for attacking targets protected by “human shields” than traditional *jus in bello* norms.) For Hussein, efforts to cause civilian casualties formed part of a systematic strategy, wherein schools, hospitals and mosques, as well as protected symbols like the Red Cross and Red Crescent, were employed for military advantages. Hence, international legal norms that were designed to protect civilians are now serving as an incentive for tyrants and terrorists to endanger their lives. One commentator fittingly called such tactics “lawfare.”

TARGETS AND WEAPONS

Strategic targeting, which traditionally has been a very technical military area, has become another controversial legal subject. This is so despite the facts that targeting is ever more precise, and that the growing ability of U.S. forces to discriminate even among legitimate military objectives, targeting enemy leaders such as Saddam Hussein and Osama bin Laden, is a development that has favorable humanitarian as well as operational consequences. Attacking the chain of command in ways that, at best, produce decapitation and the total collapse of enemy resistance and, at worst, disorient the foe, dramatically shortens the duration of hostilities and saves numerous civilian

and combatant lives. Unfortunately, this growing personalization of warfare, where it becomes possible in ways unseen since the advent of modern mechanized warfare to target not just enemy combatants, but specific officers, combined with the growing transatlantic doctrinal divergence, has prompted undue protestations.

Consider Israel's policy of the "targeted killing" of Palestinian militant leaders or American Predator drone strikes on individual Al-Qaeda members, or the recent U.S. Operations in Iraq in which Uday and Qusay Hussein were killed, all of which have been incorrectly characterized as illegal "assassinations." The Swedish foreign minister actually accused American forces of "summary executions" after a successful Predator attack on an Al-Qaeda convoy in Yemen. In fact, under the laws of war, enemy combatants, whether lawful or unlawful, may be targeted both on and off the battlefield. Their surrender must be accepted if offered, but there is no obligation to attempt an "arrest", which is a domestic policing norm, rather than an obligation under the laws of war. Such allegations, however, highlight how far Europe has moved from the United States.

There has also been a debate about the propriety of attacking targets such as state-controlled radio and TV stations broadcasting pro-government propaganda. Destroying these facilities can impact the morale of a rogue regime and loosen its stranglehold on the society at large. Such attacks are entirely appropriate under traditional *jus in bello* norms. Yet many Europeans criticized these tactics when they were used in both the Kosovo campaign and in Operation Iraqi Freedom. This condemnation ignores the essentially Clausewitzian framework of any armed conflict, in which the fastest and the least casualty-intensive way to win is to attack the enemy's will.⁴

Another disagreement between the United States and its allies involves a new

form of expansive arms control. Traditionally, only a few weapons—those causing severe and unnecessary suffering—were banned from warfare. Beginning in the late 19th century, for instance, exploding or "dum-dum" bullets were forbidden since they caused far more terrible wounds than necessary to render a soldier *hors de combat*. The same logic was applied to the use of poison gas after World War I and biological weapons in the post-World War II period. In contrast, numerous negotiations are taking place today to ban whole categories of existing weapons systems and to stifle the development of new ones. For example, most of the United States' NATO allies have signed and are moving towards ratification of the 1997 Ottawa anti-landmine Convention. From the American perspective, however, landmines when deployed properly represent an essential part of its defensive posture in Korea and have a proven ability to perform such critical military tasks as "airfield denial" or blockading WMD-related facilities with minimal collateral damage. It is ill-trained Third World militaries, which have not paid the slightest heed to *jus in bello* strictures (and which are unlikely to be swayed by the Ottawa Convention) which have misused landmines and caused such large numbers of casualties among civilians. Meanwhile, the fact that the Convention exempted certain dual-use mines used by the European militaries made the whole enterprise appear hypocritical as well.

Similarly, efforts are underway to ban, or to interpret existing legal stan-

⁴General Charles Dunlap (USAF) argues that targeting "dual-use" facilities in addition to securing purely battlefield-related benefits also makes additional policy sense as it maximizes the psychological impact on the pro-regime strata of the population and can hasten the erosion of support for the regime and thus shorten the conflict. This phenomenon was critical to the speedy conclusion of the Kosovo conflict.

dards to criminalize, weapons such as cluster munitions and depleted uranium projectiles, as well as to block the development of new military technologies like lasers or unmanned robotic systems, and strategies including attacks on electronic information nodes. Ironically, many of these technologies have the potential to reduce the amount of collateral damage in war—a major goal of Protocol I—or have already done so when used in combat. Yet the use of both cluster bombs and depleted uranium projectiles were among the allegations of wrongdoing considered by the prosecutor for the International Tribunal for Yugoslavia after the 1999 Kosovo campaign. The prosecutor's office correctly concluded that there was no current "consensus" that the use of these weapons violates the laws of armed conflict but conceded that such a consensus could develop in the future. This inherent tension among different doctrinal imperatives, and the disconnect between the broad goals being sought and the specific rigid command-and-control mandates being imposed, is similar to those found in areas of domestic regulation and reflect the "policing" model to which our allies have increasingly subscribed.

Enforcement

THE UNITED States and its allies are also deeply divided over the proper mechanisms for enforcing the laws of war. Traditionally, these rules were interpreted and applied by each individual state, in accordance with its own constitutional and judicial processes. This "domestic" approach has much to recommend. To begin with, it has allowed an interplay between enforcement actions and compliance-fostering institution-building and training. (The latter measures are indispensable if future violations are to be avoided and compliance culture enhanced.) Moreover, a number of key *jus*

in bello issues necessarily require the inherently subjective process of balancing military necessity and humanitarian goals, and the outcome depends very much on who does the balancing. This point was candidly acknowledged in the report issued by the Hague tribunal's prosecutor, after investigating NATO's Kosovo operation:

It is unlikely that a human rights lawyer and an experienced combat commander would assign the same relative values to military advantage and to injury to non-combatants—it is unlikely that [even] military commanders with different doctrinal backgrounds and differing degrees of combat experience or national military histories would always agree in close cases.

Such balancing can be accomplished well only in the context of a particular body politic and preferably by institutions, such as courts martial, with a substantial degree of specialized military expertise.

Unfortunately, there has been a distinct tendency on the part of many of our European allies and NGOs to denigrate domestic *jus in bello* enforcement mechanisms in general and military institutions in particular and exalt the virtues of international legal institutions. The Nuremberg trials, convened to punish the defeated Nazi leadership at the end of World War II, are usually cited as the first important departure from the primacy of the norm of domestic enforcement institutions. They are also described as having established an international or "universal" jurisdiction. The truth of the matter, however, is that the International Military Tribunal (IMT) that judged Hitler's surviving lieutenants never claimed such vast authority. Rather, it relied on the right of the Allies, as established by the Third Reich's formal unconditional surrender, to legislate for a conquered Germany.

It was not until the 1990s that genuinely international criminal courts were established in the form of the United

Nations *ad hoc* tribunals for the Former Yugoslavia and Rwanda. These institutions were based on binding UN Security Council resolutions. Both dealt with exceptional circumstances—a near Hobbesian-level breakdown in law and order in several states—and were strictly limited in their jurisdictional reach.

Unfortunately, the International Criminal Court (ICC), established in 2001, goes much further. It is a permanent court with jurisdiction over dozens of individual offenses. In principle, the ICC can only take action in a particular case if the relevant states have failed to investigate and prosecute the matter. But the application of this principle of “complementarity” is entirely *within the court’s own discretion*. If it concludes that allegations have not been properly handled on the national level, the ICC can then prosecute and punish the accused military or civilian officials, regardless of their official status.

Although the United States was involved in drafting the 1998 Rome Statute, it ultimately refused to ratify the document. For Europe, however, the Rome Statute has become a litmus test. All of the European Union’s members have ratified the treaty, as must any state now seeking EU membership. Moreover, the EU has become so determined to impose the ICC on the United States that EU applicants have been said to endanger their chances to join merely by signing agreements with the United States to ensure that U.S. citizens will not be surrendered to the court absent its consent—even though such agreements are clearly provided for in Article 98 of the Rome Statute. There is little doubt that if the court actually attempts to investigate or prosecute American citizens, it will deliver a body blow to the transatlantic relationship.

However, even if the ICC does not target Americans, its existence will still affect NATO’s operations. Although U.S. citizens are not legally subject to the ICC,

the citizens of Great Britain, France, Germany and the other NATO allies are. In planning and executing military operations, these states all must consider the likely reaction of the ICC’s current prosecutor and judges. How much confidence they will, in practice, put in the principle of complementarity remains to be seen. However, it already is clear that many of the ICC’s proponents have jettisoned this principle, assuming that the court will, in reality, be the primary enforcement mechanism for the substantive rules incorporated into the Rome Statute.

IN THE PAST, *jus in bello* norms reflected a proper balance of humanitarian and military imperatives as well as the consent of sovereign states. They also were predicated upon the principle of reciprocity, enforced by national institutions, and backed up by the availability of reprisals to punish and deter noncompliance. Today, a combination of legal, ethical and political imperatives have rendered ever more elaborate laws of war both inflexible and liable to enforcement by increasingly politicized international institutions.

Legal restraints are also becoming increasingly one-sided, and primarily affect the United States and those few of our allies that continue to take warfare seriously. Plainly said, we now have virtually four different sets of legal norms governing the use of armed force: the traditional strictures, subscribed to by the United States and some of its allies; the policing model, embraced primarily by the Europeans and Canadians; the more permissive norms, which eschew many of the post-World War II developments, embraced by Russia, China, India and a few others; and the “anything goes” approach, with the particular emphasis on the deliberate attacks on civilians practiced by the rogue states and terrorist organizations like Al-Qaeda, Hamas and Hizballah.

Given this overall context, it is all the

more regrettable that the fundamental differences between the United States and its allies—over when military force may be lawfully used, how it must be applied properly and who should enforce the norms—show no signs of abatement. These have already led to misunderstandings, tension and outright anger on both sides of the Atlantic and have proven to be highly counterproductive. Franco-German insistence that UN authorization was necessary before military action could be taken against Iraq did not forestall the attack on Saddam Hussein, but it nearly wrecked the Security Council. Similarly, assertions that the ICC can investigate, prosecute and punish Americans, whether the U.S. government has ratified the treaty or not, have not led the United States to accept the court's authority. Rather, they have prompted a determined and increasingly successful U.S. effort to obtain from dozens of countries Article 98 agreements guaranteeing that Americans will not be surrendered to the ICC. Efforts to secure overly stringent rules of engagement and other unrealistic *jus in bello* norms have strained alliance cohesion and impaired the military effectiveness of coalition warfare.

Continuing to pretend that these are just minor problems or occasional disputes that can be papered over or resolved through adroit diplomacy is counterproductive. It is imperative to grasp the nature of the problems we face and their full implications. This is particularly true because so much of the European challenge to the American way of war is couched in legal and ethical terms.

The continued perpetuation of legal and moral confusion could eventually erode the American public's consensus supporting any future use of force, and threaten U.S. security and national interests. Hence, it is necessary to make reaffirmation of the traditional laws of war, rules that appropriately balance humanitarian imperatives and the demands of military necessity, an American priority. Ideally, a vigorous U.S. effort to reestablish the traditional *jus in bello* and *jus ad bellum*, and restore the role of sovereign states in both developing the substantive norms and upholding them, would bear fruit.

Alternatively, the United States and its allies can simply acknowledge that, because of the policy choices they have made in accordance with differing principles, they are now subject to different international law norms. While Americans cannot expect Europeans to ignore the commitments they have made, Europeans cannot expect the United States to comply with rules it has not accepted. This does not mean that joint action and operations are impossible, but it does mean that the range of areas in which U.S. and allied forces can act together has narrowed. The result must inevitably be more American "unilateralism", louder choruses of European opposition, and the steady deterioration of a once-ideologically consistent alliance. Yet, even this would be preferable to an American embrace of the policing model of warfare, which would impair our ability to prevail in combat. At a time when our way of life is again besieged by violent and unscrupulous adversaries, such a turn of events borders on the suicidal. □

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U.S. Power, the “Special Relationship” and the Global Order

Conrad Black

IN THE aftermath of the Iraq War, it is clear that the United States possesses military power unequalled by any other combination of powers in the world. That military power is backed by an economy as big as, and more productive and innovative than, the five next economies combined. It is also backed by an overwhelmingly pervasive popular culture—and by a vibrant high culture, as repeated American success in capturing British literary prizes demonstrates. In the recent crisis, the United States was prepared to use that power in a distasteful but urgent cause.

And while one country has that power, many of those which do not have it have spuriously misused the United Nations to try to collegialize the power of the United States. The Americans have indicated they are prepared to pay something for international support. But what occurred was a chicken game. The French, Russians and Germans overplayed their hands and were exposed as ineffective, as well as disingenuous. They damaged the United Nations they claimed to be upholding. They ran the danger of partially dismantling the Western Alliance, too late to help the Russians and isolating Germany, which is

the reverse of German desires and a status in which Germany's history is, to say the least, not encouraging. They also completely debunked France's masquerade as a great power. These countries can agree on little except their concern about the astounding power and success of the United States. They will not fashion anything durable or geopolitically useful out of mere envy.

If they persist in this course, these countries will play no part in the resolution of the Middle East's problems. And the Russians and Chinese, if they had persisted in their antagonism, could have had the consolation prize of trying to sort out North Korea for themselves while the United States provided anti-missile defenses for its Japanese and, possibly, South Korean allies—if the South Koreans go back to behaving as allies. The remedy for those concerned with American power is not pettifogging harassment, but to cooperate with it and to make themselves stronger.

My enthusiasm for the miracle of modern Europe is no less than that of the most fervent Eurointegrationist. The level of cooperation and benevolence between these formally hostile countries is an inspiration and a blessing. However, Europe is not a coherent force in international affairs and does not behave like a great power. There is no doubt that the dream of many Eurointegrationists was

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that, with the end of the Cold War and the evaporation of the Soviet threat, the soft hegemony of the United States, which was so essential in keeping the Soviets out of Western Europe, could be dispensed with, and that Europe could unite and reassert itself at the end of the terrible 20th century as the greatest political power center in the world. At least, it was hoped that Europe would become an alternative power source to the United States.

As recently as three years ago, French President Chirac claimed that the European Rapid Reaction Force would “project European power throughout the world.” In fact, it is just a reallocation of forces from NATO, is almost totally dependent on American airlift capacity, and is essentially a parade-ground force to travel about Europe, marching down the main avenues of the capitals on their national days.

Europe has been hobbled by the habits of weakness. The implosion of the Soviet Union made the United States, not Europe, incomparably more powerful, morally, as well as militarily, economically and culturally. Europe has been obsessed with the minutiae of union, an unremitting preoccupation.

Nearly sixty years after World War II, western Europe’s foreign policy is one of deliberate and enforced weakness, emphasizing soft options, sanctions, persuasion and commercial incentives. In the same way, its domestic policy, for notorious historic reasons, pays Danegeld to the working classes and small farmers at the expense of the incentive system and economic growth. Nine of the ten most aged populations in the world are in western Europe. In Italy, three people work for every two on benefit. In the 1990s, in the United States, 44 million jobs were eliminated as superfluous or inefficient, and 75 million private sector jobs were created, for 31 mil-

lion net new jobs. In the European Union, apart from the United Kingdom, a net five million jobs were created, all in the public sector.

The paradox of this is that the Europeans do not see that American power, which they resent, maintains their ability to be weak, to have shrunken defense budgets, minimal military capability beyond the borders of the EU, a relatively stagnant economy, and a general attitude of indulgent but righteous lassitude. Christopher Patten, the EU Commissioner for External Relations, grandly assured us: “We know how important it is to handle failed states properly and to prevent them failing in the first place. We know how to tackle the root causes of terrorism and violence.” “We” here is the Europeans, in contrast to the Americans, who rebuilt Europe and Japan, created South Korea and Taiwan, reorganized the Mexican currency and democratized and revolutionized the economy of that country in a managed free trade agreement, while Europe has straight-armed the Turks. Patten added: “Frankly, smart bombs matter, but smart development assistance matters more.” Not necessarily, and he obviously does not know a great deal about either. But smart EU Commissioners would be welcome too.

Because the major European countries are of reasonably equivalent strength, other than the aberrant expansions of Napoleonic France, Nazi Germany and Stalinist Russia, they are accustomed to coexisting with each other, even antagonistically. The United States was in that condition in its early years, threatened by the British, French and Spanish Empires. But since the time of President Lincoln, it has rarely been threatened. The United States has had the most successful foreign policy of any major country not only because of its ever-rising strength, but because it has

never had any objective except not to be threatened, and when threatened, to remove the threat.

The United States does not believe in durable coexistence with a mortal threat. When the pacifistic President Woodrow Wilson concluded that Wilhelmine Germany threatened America, he went to war and provided the margin of victory for the Allies. Franklin D. Roosevelt knew there could be no peace with Nazi Germany and, as he put it to Mr. Churchill in August 1941, "made war on Hitler without declaring it" until the Japanese and Germans made war on America. The United States never really wavered in the Cold War in its insistence that Soviet Communism cease to threaten it, until the Soviet Union collapsed. It achieved these successes with allies, to be sure, principally the United Kingdom, but with allies that played a more secondary role as the century progressed.

The United States does feel under some threat after September 11, and it will destroy that threat. Its policy is one of strength, constantly maintained but sparingly applied. The war on terrorism is already at least a partial success. In the 22 months since the September 11 attacks, the international terrorists have only managed to blow up one nightclub in Bali, a small hotel in Mombassa, to kill a few German tourists in Tunisia, and a few Saudis and a few Americans at a Saudi military installation. They have had no success in the United States or other advanced countries. The incidents mentioned were tragic and outrageous, but they are a sparse follow-through on the blood-curdling threats of Osama bin Laden and others in the weeks following September 11, 2001.

There will not be a very serious falling-out between any of the major countries, as they all ultimately oppose terrorism. But the Germans should remember that the greatest postwar act of

statesmanship in any country was Chancellor Konrad Adenauer's rejection of Stalin's offer of German reunification in exchange for German neutrality. Adenauer carried West German opinion in accepting temporary but indefinite division in exchange for permanent alliance with America and the West. If Germany, having achieved reunification, impairs its alliance with the United States, especially under the dubious enticements of the French, it would be colossally stupid, though, by German historical standards, well short of a catastrophe.

THERE ARE, of course, many things about America that may not be pleasing to everyone. The distinguished historian Paul Hollander has written that American "mass culture enshrines mindlessness, triviality, the cult of violence, a shallow sentimentality and a pervasive entertainment orientation." Millions of people, and not all of them in what used to be called the Third World, form their opinion of the United States from exposure to such sources, which do not accurately convey the good qualities of the American public. They rather convey the commercial acumen of certain categories of American businessmen.

These are somewhat more respectable anti-American complainants than those found among anti-capitalists, anti-modernists and militant environmentalists, all of whom tend to attach themselves like limpets to any anti-American cause that appears. There are vocal but generally uninformed people in these groups who claim the United States promotes global inequality, exploits the poor, assaults the environment, is dominated by large corporations and is generally militaristic. The anti-globalists rail at the great American corporations: Coca-Cola, McDonald's, Nike, Citigroup, Walmart, Monsanto, ExxonMobil, Levi's, Starbucks and MTV.

To some extent, this hostility is sour grapes, emanating from those who wish to direct youth elsewhere than in the pathways of addictive American consumerism. But those who riot at IMF meetings are the political equivalent of football hooligans: They are incapable of coherent articulation and are merely misfits who should be disposed of with as little force as necessary whenever they become disorderly. They should not be accorded any credence in discussions of serious issues.

The foreign carriers of the anti-American lunacy are not hard to find. Yet, the determination of alliances between great nations are not referenda on fast food or Hollywood. In those matters, people vote with their feet and their wallets, and the success of the United States in these fields, too, is beyond dispute, if not beyond criticism. But relations between great nations are, or should be, determined by their national interests, and the national interest of the United Kingdom requires a good and close relationship with Europe and the United States. In general, Prime Minister Tony Blair has done a commendable job of facing down the lobotomous old Left in his own party, being close but not obsequious to Washington, and recreating Pitt the Younger as he has coordinated Iraq policy with the European countries tired of being brow-beaten by the French and Germans. President Chirac threatened the incoming European Union states because of their support of the Anglo-American policy on Iraq, and it was the pro-European parties in the Turkish parliament, influenced by the French and the Germans, who declined to help the United States in that war. Such unfriendly antics as these should not go completely unrecognized.

Blair undoubtedly took certain liberties in encouraging the European view that he plays a restraining role on the

gun-slinging American President. The Prime Minister's domestic opponents generally find the U.S. President even more distasteful than Mr. Blair, and so, until recently, were happy to believe the old canard that British prime ministers give constant tutorials to American leaders about how to behave like grown-up statesmen. In fact, the only occasion in history when any decisive British influence may have been exercised on a U.S. president was Margaret Thatcher's famous advice to former President Bush not to "wobble" over Iraq's invasion of Kuwait. If she had not been disembarked by her party, she might have prevailed upon President Bush, Sr. to finish the Gulf War, dispense with Saddam and spare the world the recent crisis. Harold MacMillan's comparison of the United Kingdom and the United States with the Greek and Roman empires was self-serving nonsense.

Prime Minister Blair has adhered to a position that is unpopular in his own party and that he has not been as successful as would have been thought in selling to the country. He has been reviled outrageously as a poodle of the United States. The nadir of journalistic insolence on this subject occurred in February, when the egregious Jeremy Paxman asked him if he and President Bush "prayed together." It was the climax of a line of questioning designed to incite the inference that the two men are religious quacks. Paxman might have noticed that the religious quacks are on the other side of the war against terror. Perhaps it is unfair to single out Paxman, since the entire BBC news service is pathologically anti-American, anti-capitalist, anti-Israel and antagonistic towards all Western religions.

The Prime Minister put principle before expediency at great inconvenience to himself. Iain Duncan Smith has resisted the urgings of some of his partisans to try to exploit the divisions in the govern-

ment. He too has put country ahead of party—though in his endorsement of the BBC's position in the latest dispute with the government about doctored intelligence dossiers, he is in danger of becoming, in Leninist terms, a useful idiot. Both the Prime Minister and the leader of the opposition have distinguished themselves starkly from the shabby performance of the German and French leaders.

It is inconceivable that any country would forsake alliance with the United States if alliance were available on acceptable terms. The United States is not an onerous ally. It has been reasonably content to consider the bloc of states whose security it guarantees in NATO as a pool of potential volunteers rather than conscripts to its causes. It does not seriously infringe upon the sovereignty even of Canada, which is more completely integrated into the American economy than is the state of California, as 85 percent of Canada's external trade and 43 percent of its GDP are trade with the United States. It is precisely because the United States has been so undemanding that some varieties of anti-Americanism have become so vigorous. The legitimate application of strength generally has a sedative effect. We have seen this in the Middle East since the fall of Saddam Hussein.

The clear American preference is to work with reliable allies, but not to be strangled by Lilliputians masquerading as allies. The United States gave the world the League of Nations and the United Nations. It is an enlightened and civilized democracy that generally tries to behave responsibly, with as much success in this regard as any other important country.

More powerful than its mass culture is America's concept of individualism and freedom. Under the Constitution of the United States, all unallocated powers reside with the people, who famously endowed themselves with it; its rights were not devolved to them by any other authority.

This, even more than their economic, military and cultural force, is the source of American power. When the students and dissidents of Eastern Europe were dismantling the Soviet empire, their public readings were of Jefferson and Lincoln, and the occupants of Tienanmen Square built a replica of the Statue of Liberty. Our satirists and intellectuals and leftist journalists may prattle as they will, but there has never been anything remotely like the rise of America in two lifetimes from a few vulnerable colonies with a population smaller than Greater Birmingham's today, to, as Mr. Churchill said in his parliamentary eulogy of President Roosevelt, "a height [of] strength, might, and glory never attained by any nation in history." In the years since then, the preeminence of the United States in the world has vastly increased.

Most Americans, however, do not travel abroad, and foreign trade, apart from oil imports, comprises only about 15 percent of GDP. It is an Americocentric country. Yet America has learned the dangers of neglecting foreign policy and knows it cannot enunciate the rules of world order without a reasonable degree of collaboration.

THE UNITED States will pay more attention to the United Kingdom than to any other power. With rare exceptions, this status has been earned by British leaders of both parties, from Winston Churchill to Tony Blair.

After the United States there is a group of about eight quite important countries in the world and the United Kingdom is one of them. Britain has the fourth largest economy in the world and has earned and enjoys considerable respect throughout the world. China, Russia, India and Japan should actually increase in importance as China and India develop, Russia reconstitutes itself and

Japan emerges from its long torpor.

These principal countries will need to elaborate the so-called Bush Doctrine and gain acceptance for a version of pre-emptive military action that distinguishes genuine proactive self-defense from disguised aggression. We will have to launch a determined and generous aid program to underdeveloped countries capable of channeling such aid into genuine progress for the needful. Though I have never been the greatest supporter of the Third World, because of its chronic misgovernment and the hypocrisy of many of its leaders, the developed world must show more interest in some of those countries that are eligible for help and self-help. And we must make it harder for the West to be caricatured as indifferent to, or even exploitative of, those countries. What is needed is some form of trusteeship for failed states that stabilizes them and prevents them becoming infestations of terrorists, like abandoned houses occupied by neighborhood thugs. Any Israeli-Palestinian agreement must be sponsored by the Americans, Europeans and the reasonable Arabs. The present peace process should, as it has, combine the carrot of statehood for the Palestinians and security for Israel with the stick of severe treatment of the leadership of the terrorist organizations in the event of backsliding.

The United Nations has to be modernized if it is to be useful, and NATO cannot go on as it is; it must be reformed as a genuine alliance with a revised mission. Ideally, the EU's federalist pretensions would be reexamined also. In all of these initiatives (except the strictly European ones) and in many others, little can be accomplished without the United States. But it cannot be accomplished by America alone.

There is a huge opportunity for Britain in all of these areas. The alternative to the American alliance, as the British have known it, is an "ever closer union" with Europe, to which Maastricht committed the United Kingdom. Its relations with Europe are vital and must be intimate, but going to a common security and foreign policy would lead to a constant struggle with the German practice of using foreign policy as a substitute for psychotherapy and with the Ruritanian posturing of the French. It would also anesthetize the British economy. Surely, that country's national destiny is more exalted than that.

It is more than forty years since the American secretary of state Dean Acheson said that "Britain has lost an empire but not found a role." Being the junior but influential partner of the United States in modernizing world institutions and alleviating the conditions that breed political extremism, as Britain is America's chief associate in crushing the terrorists, is an important role. Never has a country that had ceased to be the most influential in the world managed such a slight and dignified diminution of status to a still important position.

To give maximum service to the causes of freedom and economic growth, Britain must maintain and build on its unique alliance with the United States. It is the world's most successful country and the one with which Britain is most compatible and vice versa. For, after all, it is preferable to continue to be envied because of one's success and attachment to principle, than to fall any further into the company of those governments for which cowardice is wisdom, ingratitude is Olympian serenity and the spitefulness of the weak is moral indignation. □

More Latin, Less America?

Creating a Free Trade Area of the Americas

Luisa Angrisani

SHORTLY AFTER becoming president, George W. Bush embarked on a campaign to expand the North American Free Trade Area (NAFTA) to encompass 34 nations in the Western Hemisphere, spanning from Canada in the north to Argentina and Chile in the south. The new trade bloc—the Free Trade Area of the Americas (FTAA)—would include over 800 million consumers and a total economy of some \$13 trillion. Bush repeatedly stated that the free trade area would strengthen democracy, promote economic integration and bring peace and prosperity to Latin America, all of which the President, speaking at the Third Summit of the Americas in April 2001 in Québec City, described as vital to U.S. national interests.

Though grand plans of uniting the Americas have been around for some time (Simón Bolívar was the first to come up with the idea), negotiations always faltered on fears that stronger, more economically diverse nations would take control and subvert the sovereignty and national identity of smaller countries. This concern, the old core-periphery argument, was a standard part of all talks on integration issues and was generally invoked against the United States whenever Washington touched on the subject (as the elder President Bush did in 1990). Those coun-

tries in favor of free trade with the United States, like Chile, preferred tailored bilateral accords anyway and therefore had no pressing desire to advance regional pan-American integration.

After taking office, George W. Bush was able to allay these fears and rally support for the FTAA. At the Third Summit of the Americas, delegates from 34 countries (every Western Hemisphere country except Cuba) agreed to set January 2005 as the deadline for finalizing negotiations. Heralded as an unprecedented agreement, the FTAA was to be the answer to the region's economic woes. The free movement of goods, technology and labor was proposed as the solution to Latin America's increasing levels of poverty, unemployment and economic stagnation. And to sweeten the deal, the United States was offering up a bevy of substantial perks, including a promise to put on the table all issues, such as those U.S. policies that are viewed negatively in Latin America and the eventual elimination of all tariffs (though this would not have to take place until 2015). Even so, getting all 34 countries to agree, despite very vocal critics, was a miraculous feat.

So what happened? Since April 2001, talks have stalled, and the core-periphery arguments have returned in a new light and with a new slant—and returned with a vengeance. The old cries to close off trade avenues and implement import substitution policies have been left behind.

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The region today is rallying for free trade, but without relying on the United States to be the sponsor of such initiatives.

The defining moment in U.S.-Latin American relations came on September 11, 2001, after which the United States opted to devote all its energies to the Middle East while essentially turning its back on its closest neighbors.¹ Though the state of affairs following the terrorist attacks could perhaps not have been anticipated, the effects of the U.S. response were eminently predictable. It pulled all attention away from Latin America and polarized the region rather than building a solid coalition grounded in a common purpose. Coupled with a series of unforgivable mistakes—the Treasury Department’s diplomatic gaffes with regard to Argentina’s economic crisis (which many insist only exacerbated Argentina’s problems), the State Department’s failure to condemn the coup that briefly ousted Hugo Chávez in Venezuela and the Bush Administration’s disparaging remarks about Brazil’s 2002 presidential elections—America’s policy shift cast the United States in an increasingly negative light.

Spurned countries decided they did not need the United States to help them out of their troubles (Argentina and Brazil), nor did they need to support the United States in its overseas adventures (Chile and Mexico). The war in Iraq widened the divide in relations between the United States and its southern neighbors, and the fallout since the end of the war has only made matters worse. Latin Americans are ever more skeptical of the self-appointed U.S. role as the champion of democracy. Serious questions abound regarding the validity of the war—whether weapons of mass destruction ever existed and what U.S. intentions really were—and the perception of the Bush Administration as bordering on tyrannical has gained much more currency in the region.

Neglecting its once most-favored

neighbors will ultimately have steep consequences for the Bush Administration. Politically, the United States will face more open dissension in the international arena. Economically, the United States may end up missing the biggest trade opportunity in its history.

Courting the Locals

PART OF understanding the damage of the fall involves realizing what heights we had reached before it. The decision to create the FTAA was a major step in cementing U.S. influence in Latin America. President Bush highlighted his interest in strengthening ties by making direct overtures to regional leaders—his first official presidential trip was to visit Mexican President Vicente Fox at his ranch in Guanajuato, breaking the tradition of honoring Canada with a president’s first visit. In addition to the usual promises to increase trade and improve ties across borders, the President touched on the one topic that had been taboo in U.S. politics for decades: legalizing the status of Mexican immigrants. Though most observers knew that an immigration accord would be difficult to pass through Congress—probably even impossible—the willingness of the Bush Administration to at least address the issue was heartening to Fox, the underdog who was able to break the PRI’s 71-year monopoly on power and the darling of both domestic and international political analysts. The political outsider and savvy businessman was making moves for Mexico, becoming friendly with the United States and taking on issues that resonated with the average Mexican: jobs, immigration and social improvements.

Talks on immigration issues were

¹See Robert S. Leiken, “End of an Affair? Immigration, Security and the U.S.-Mexican Relationship”, *The National Interest* (Winter 2002/03).

decidedly over after the September 11 attacks. U.S. legislators, heeding the calls of their constituencies, formed a united front on such matters. Far from discussing amnesty for illegal immigrants, they discussed laws to increase vigilance on the border under the rubric of homeland security. The domestic price for Vicente Fox was steep. He and his advisors could no longer flaunt their close relationship with the Bush Administration when dealing with the Mexican legislature, as it had now been transformed into a liability. In the buildup to the war in Iraq, Fox became painfully aware that in order to salvage his domestic political bargaining power, he would have to make a bold break with Bush. Fox thus announced that Mexico would support a "compromise solution" and not a U.S.-sponsored invasion. The decision shocked the Bush Administration, which had counted on Mexican support in the UN Security Council. Instead, the Bush Administration saw its close neighbor and second-largest trading partner side with France, the embodiment of an ungrateful ally in the eyes of the United States. Newspaper editorials highlighting Mexico's allegiance with France frightened the Fox Administration and galvanized the feeling that the Fox-Bush friendship was, for all intents and purposes, over.

A similar situation occurred in U.S.-Chile relations. Having witnessed Chile's failure to secure free trade agreements with both the first Bush Administration in the early 1990s and the Clinton Administration several years later, skeptics were wary that any progress would be made with the second Bush Administration. After two years of negotiations, the skeptics were proven wrong, as U.S. Trade Representative Robert Zoellick announced in December 2002 that negotiations for the U.S.-Chile Free Trade Agreement were complete. Ratification and implementation, which

were expected to take place quickly, instead stalled on Chile's decision not to support the war in Iraq at the UN Security Council.

Chile's ties to the United States put it between a rock and a hard place: choosing to seek a bilateral trade agreement with the United States had driven a wedge between Chile and its South American neighbors. Brazil and Argentina had long courted Chile to join the Southern Cone Common Market (known as Mercosur) in an attempt to form a united front—of sorts—in South America. Chile faced a difficult choice. On the one hand, it could ally with a trading bloc in which individual states always subverted agreed tariff limits by issuing decrees and granting preferential treatment to their domestic industry at the expense of their trading partners. On the other hand, it could follow a trade policy that would result in assured access to the holy grail of markets, the United States.

This was an unenviable position in which to be, but, ultimately, Chile's President Ricardo Lagos opted for the United States. It was a move that Mercosur members (Argentina, Brazil, Paraguay and Uruguay) would not soon forget. Chile gained notoriety in the region for having chosen not to join the Mercosur club, and when relations with the United States soured over Iraq, it paid dearly in the local media. The Lagos Administration opposed the war, as did most other Latin American nations, but its opposition was especially detrimental to the U.S. campaign for support because Chile, like Mexico, had a seat on the UN Security Council. Although President Lagos tried to reassure business interests that his opposition to the war would not negatively impact the trade agreement, it became obvious that it would. The treaty's ratification was inexplicably delayed, and Mercosur members secretly gloated.

Chile realized it would need some

insurance if the United States decided to delay ratification indefinitely. Sensing that the tide was turning in Latin American politics because of the newfound success of left-leaning politicians in many countries, Lagos decided to be proactive. Visits to neighboring countries and favorable commentary in the local press were part of his campaign. Though Lagos will not be able to cobble together his own coalition, he will be able to garner enough good will to restart talks to join Mercosur, something that will further weaken America's bargaining power.

Changing of the Guard

AN OBVIOUS leadership vacuum opened up when the United States turned its attention away from the region. Faced with a rapidly disintegrating trade scenario, several regional players decided to take matters into their own hands by beginning a discussion of regional integration. From Vicente Fox, principal U.S. trade partner, to Fidel Castro, principal U.S. irritator, the region's leaders all agree the time is ripe to begin a process of increased integration—even if they clearly disagree about its ultimate shape. In separate attempts to carve out their spheres of influence, Mexico and Brazil began negotiating new agreements and enhancing old ones to secure leadership roles in the emerging debate over regional economic integration. Their moves to fill the newly opened power vacuum have caused the United States to take notice. Furthermore, if the situation in the Middle East takes a significant turn for the worse, the United States will have to take action if it is to retain some negotiating power among its neighbors to the south.

Brazil has emerged as the most problematic actor with regard to U.S. influence in Latin America. After a tense electoral period in December 2002, Luiz

Inácio da Silva, a left-leaning former labor leader known locally as Lula, secured the presidency with a substantial popular mandate. Immediately after, he set out on a tour of his country to visit and show concern for the poorest segment of the Brazilian population. His "Zero Hunger" program, which provides food subsidies, was launched with surprising bipartisan support, thus securing Lula's image as a concerned politician and social reformer. Following that triumph, he set out on a regional trip to rally support for increased economic integration and home-grown solutions to the region's social ills. His whistle-stop tour included visits to Mercosur partners Argentina, Uruguay and Paraguay, and to several members of the Andean Community (made up of Bolivia, Colombia, Ecuador, Peru and Venezuela), as well as to Chile. Lula's oft-repeated mantra of a stronger, united South America was very well received, but it conveniently left several actors out of the picture—NAFTA in general and the United States and Mexico in particular.

Lula's efforts to win support for a South American free trade area have centered on convincing his neighbors of the inequality inherent in U.S. trade policies. He has on several occasions voiced his opposition to U.S. policies that are detrimental to South America: namely, U.S. farm subsidies and the early 2002 imposition of steel tariffs. Despite U.S. promises that these issues will be addressed in the context of the FTAA, Lula remains unconvinced—particularly because of the powers of "fast track" authority, which were granted to President Bush by the U.S. Congress in 2001. Fast track authority allows the president to proceed rapidly with trade negotiations, eliminating much of the bureaucracy and facilitating talks. However, fast track authority also imposes harsh restrictions on the administration's ability to negotiate more open trade in certain product categories. Not

surprisingly, these categories include textiles, steel and agriculture—the most heavily protected product areas in the United States and the areas in which Brazil and several other Latin American nations have substantial comparative advantages.

The recently passed 2002 Farm Bill is a perfect case in point. Though farm subsidies are limited under the terms of the Uruguay Round Trade Agreement, the powerful U.S. agricultural lobby, in a bid to reap the highest possible benefit for a small number of domestic producers, has expertly molded the legislation. Under this bill, U.S. farmers will receive subsidies averaging \$19.53 billion annually for the 2002–07 period—a substantial increase from the \$15.27 billion average annual payment in the previous Farm Bill (that covered the years 1996–2001). But perhaps the most disturbing aspect of the Farm Bill is how it directly flies in the face of previous agreements that were intended to “level the playing field” with the developing world.² Since commodity production is a major part of the developing world’s economy, such subsidies only create a more uneven playing field.

Steel tariffs are another example. The 30 percent tariff on steel imports imposed by Congress was intended to grant relief to America’s ailing domestic steel industry. It effectively insulated domestic producers from their foreign competitors and disproportionately affected Brazilian steel exports. Prior to the imposition of steel tariffs, Brazil had a favorable balance of trade with the United States. Conditions now, however, are decidedly less favorable. The United States claims that these issues can be resolved once FTAA negotiations get underway, but Lula and many other leaders in Latin America would rather apply pressure now than wait until the FTAA is created. (The WTO ruled in July that the steel tariffs violate global trade rules. The United States is appealing the decision.)

Lula’s strategy to combat U.S. protec-

tionism focuses on expanding Mercosur to include Chile and Bolivia as full members, as well as including the rest of the Andean Community. His keen understanding of Mercosur’s potential as an engine of unification was evident at the group’s June 2003 meeting in Asunción, Paraguay. The Brazilian contingent presented a comprehensive plan made up of five programs: the political, social and cultural program; the customs union program; the common market program; the new integration program; and the border integration program. Each program highlights the current situation and what steps Mercosur can take as an integrated body to redress issues and problems.

The goals include improving democratic institutions, limiting corruption and improving social conditions. (Lula has already become the champion of the poor in Brazil and wants to expand his constituency to include the poor of Mercosur as well.) In addition, the plan seeks to strengthen the customs union and expand the common market by including new partners and negotiating trade agreements with the European Union, India, South Africa and South Korea. The joint statement issued at the end of the meeting reiterated Mercosur’s commitment to the development of democracy, the protection of human rights and a multilateral approach to international conflict through the United Nations and the Security Council—a not-so-subtle indication of the group’s hesitancy regarding U.S.-led conflict resolution. In addition, the statement outlines that negotiations with the Andean Community will be completed by the end of 2003.

Before other countries can be included, however, the original members must iron out their difficulties and harden their commitment to the common market—with “common” being the operative

²See C. Ford Runge, “The Farm Bill From Hell”, *The National Interest* (Summer 2003).

word. Both Brazil and Argentina have often approached tariff policy with an eye toward protecting their own industrial sectors. When common policy did not suit their individual needs they issued domestic decrees that did, often at the expense of the trading bloc.

Without a resolution to this problem, a policy of South American economic integration would not be worth the paper on which it was printed. At the June Mercosur meeting, Lula deftly handled this issue of unilateral backsliding from common policy. For now, Argentina's cheap imports of capital goods will be tolerated, as will Brazil's imports of chemicals. But these waivers are to be eliminated in 2004. In an appeal to the smaller members, Uruguay and Paraguay, Lula stressed the need to have a directly-elected parliament in place by 2006 that will hold sway over common policies. A joint monetary institute that would work toward the creation of a common currency is also to be in place by 2006. In addition, the June resolution announced that bidders on government contracts would no longer receive special treatment from their home governments—something that had been on the table for some time but on which little consensus could be reached. These concessions produced one very positive effect: Uruguay committed itself to negotiating trade agreements solely as part of Mercosur, forgoing bilateral treaties. This proved a critical step towards greater integration, for Uruguay had often threatened economic unilateralism in response to such movements by Brazil and Argentina.

The trading bloc stands to gain greatly from including new members. Trade agreements between Mercosur and Peru are underway and should be completed by the end of this year. Venezuelan President Hugo Chávez attended the June meeting as a precursor to the start of negotiations with Mercosur, and that pact should also be

completed by year-end. (Though Peru and Venezuela are both members of the Andean Community, they are interested in completing individual treaties with Mercosur as quickly as possible. These treaties would be similar to a larger treaty encompassing the entire Andean Community, but they would likely come into effect before a Mercosur-Andean Community treaty.)

Mexico has emerged as another regional leader willing to take the place of the United States in negotiating trade talks, but it is at a certain disadvantage (much more so than Brazil) because of its location and its historical allegiance to the United States. In the international sphere, Mexico's fortunes have been tied to the United States and not to the rest of Latin America because of NAFTA. Evidence of this can be seen in the fact that Mexico's recent bond issues have been successful, while other Latin American bond issues have been cancelled because of skyrocketing risk ratings. Mexico's links to the United States served it well when relations were good: It was able to place all sorts of issues on the international market, but this success was based solely on its relationship with the United States. Once it soured, Mexico, rather than drift alone, opted to return to its roots and re-establish links to Latin America for better or worse.

Originally one of the main proponents of the FTAA, Mexico has since turned to its much-neglected neighbors to the south in an effort to form its own coalition. After successfully completing negotiations with the Northern Triangle—the area made up of El Salvador, Guatemala and Honduras—Mexico is now negotiating a free trade agreement with all of Central America. President Fox has campaigned hard to gather a following for the Plan Puebla-Panama, the free trade area that would unite the region from Mexico in the north to Panama in the south. Fox

hopes that a larger Mexican presence in the region will bring that country back into the Latin American fold after a long, self-imposed hiatus.

Trade talks are going well so far. The Northern Triangle agreement provides both Mexico and the Central American countries with substantial trade benefits. The best part of the agreement, however, is the message it sends: namely, that a free trade area can be achieved, with positive benefits, without U.S. sponsorship. The agreement includes provisions that spur infrastructure improvements for entire countries, such as an interconnected highway network and electricity grid, rather than improvements solely for areas in which international companies are situated. Though domestic opposition to some aspects of the trade agreements have been disruptive, the potential for sparking development and growth is great.

There is a danger that, in flexing its trade negotiation muscles, Mexico will run up against Brazil—and Brazil is a formidable power. The region's largest and most populous country is centrally located and has much to gain from being the directing force in the region. Mexico will continue to be held back by the impression, prevalent in Latin America, that Mexico has only turned to the south because it was spurned by the United States. And even Mexico's supposed partners in the trade game, the Central American countries, are hedging their bets. They have embarked on trade talks with the United States to create CAFTA (the Central American Free Trade Area), just in case things with Mexico don't pan out.

What's a Fading Giant to Do?

LATIN AMERICAN leaders have accepted that the positive effects of free trade outweigh the negative, but they are aware they cannot depend on the United States to take

the lead in these matters. As the possibility of non-U.S.-centered regional trade areas become more of a reality, the United States will have to re-engage in talks or risk being left out of the loop. And in this regard, it appears that a slight shift in focus is taking place.

In a somewhat surprising move, the Bush Administration announced it would sign the U.S.-Chile free trade agreement in June 2003 despite numerous delays brought on by Chile's decision not to support the U.S. intervention in Iraq. U.S. Trade Representative Robert Zoellick signed the agreement in Miami with little fanfare. Generally, signing such agreements is cause for celebration and a visit to the White House, but not this time. Though the United States might not have really wanted to sign the trade agreement, officials realized that their position in the region was being compromised because of it. In an attempt to re-insert itself in regional trade circles, the administration consented to sign the agreement, but relations with Chile remain strained. The House of Representatives ratified it on July 23, and the Senate followed suit on July 31.

In addition to signing the agreement, Zoellick traveled to Argentina and Brazil on a goodwill mission. His goal was to convince Néstor Kirchner in Argentina and Lula in Brazil that the United States is still keen on creating the FTAA. He received a cool reception. No commitments were made, but the lines of communication have been re-opened. In late-June 2003, Lula traveled to Washington for a visit with President Bush, making him the first Latin American leader to do so since the Iraq war. The meeting went well, despite fears that the two leaders would find little common ground. Though Lula did state he was interested in re-starting FTAA talks, he did not, however, offer a specific date for doing so.

THE U.S. absence has left a vacuum that others want to fill, and unless some moves are made quickly, America's leadership role in the region will be greatly diminished. The United States would be particularly wise to appease Brazil's concerns if it wishes to smooth relations between the two countries and continue its push for the FTAA. Putting agricultural subsidies and steel tariffs on the negotiating agenda, in earnest, would be the most obvious way to do so.

Another sticking point is Washington's proposal to impose stringent intellectual property rights that would far exceed requirements set by the World Trade Organization. U.S. negotiators are seeking to limit the ability of nations to issue compulsory licenses, which allow the local production of generic versions whether or not the patent-holder

approves. Brazil, which successfully gained WTO approval to continue the practice, has long been a supporter of compulsory licensing for it provides cheaper versions of necessary medicines. Additionally, the United States should scale back calls for unlimited access to Latin American markets for services and make concessions on non-tariff barriers that the United States regularly imposes, such as phytosanitary controls.

Though domestic lobbies make it difficult to scale back on some unfair trade practices, the United States as a whole risks losing much more than these individual sectors gain. Though concessions will ultimately have to be granted by all sides, advancing a hemisphere-wide trade agreement should be a top priority for the Bush Administration. Losing markets—and allies—is far too costly in these uncertain times. □

Do not think that this is a matter of your liberty or your slavery. It also concerns the loss of the empire and the danger from the hatred you have incurred in its exercise. It is no longer possible to step down [from the empire]; . . . you hold it, so to speak, like a tyranny. While it may have been unjust to acquire, it is now dangerous to let go of it.

—Pericles's final speech to the Athenians
Thucydides, *The Peloponnesian War*, 2.63.1–2

New Europe, New Problems

The Case of the Baltic States

—George J. Viksnins—

ON JULY 1, 2003, the United States suspended military aid to more than thirty nations, among which were six of the seven countries scheduled to join NATO next year. With the exception of Romania, the other countries so recently lionized as “New Europe”—including the three Baltic states, as well as Slovakia, Slovenia and Bulgaria—have refused to sign the pledge giving immunity to U.S. military personnel and civilians serving abroad from prosecution by the International Criminal Court (ICC).¹ U.S. efforts to sign bilateral agreements with new NATO member-states have been stymied by pressure being exerted on these states in their roles as EU candidate countries. Indeed, on June 24, the EU Presidency issued a statement declaring that prospective members are expected to follow the official EU position on the ICC. It is certainly true that the amounts of foreign military aid the United States earmarked for these countries in FY2003 and 2004 are relatively small in terms of the overall U.S. defense budget. (Latvia, for example, was only to receive around \$3 million this year.) Nevertheless, these funds represent vital “seed monies”

for integrating the defense ministries of these NATO candidate countries with the institution’s force structures.

This nasty little episode demonstrates quite clearly the growing tension the countries of “New Europe” face as both American allies and prospective members of an enlarged European Union. Most of these countries deeply value their cultural and security ties to the United States. This is particularly true of the Baltic States. All three enlisted early in President Bush’s “coalition of the willing”, earning a haughty scolding from Monsieur Chirac for “acting childishly.”² All three have sent personnel to Iraq and Afghanistan. Yet it is not inconceivable that “Old Europe” might require the Baltic countries to curtail their active support of the United States as a final price for full integration into the EU.

In addition to difficulties over Iraq and the ICC, the transatlantic rift seems to be widening in four other areas, as well. First,

¹Article 98 of the International Criminal Court provides for bilateral non-extradition agreements. The United States has been concerned that the ICC might bring politically-motivated prosecutions of U.S. leaders and military personnel, and thus has been actively seeking agreements with other states that would shield U.S. citizens from ICC jurisdiction.

²Of course, France is the most politically correct or “progressive” nation in “Old Europe”—the Paris Metro still has a station called Stalingrad!

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the EU is setting up a competing military organization designed to operate outside of NATO, and an initial deployment is already underway (in Macedonia). Second, a trade dispute may be brewing over civilian aircraft, with Boeing losing out to the subsidized Airbus planes. (Airbus is also launching a \$23.7 billion project to develop A400M military transport planes.) Third, European companies appear to be setting up independent telecom operations that are (perhaps deliberately) incompatible with American technologies—including a global positioning system that would not use U.S. satellites. An unusual shared venture between the European Space Agency and the EU, which will be run by a private firm, the Galileo Operating Company, will begin operating a twenty-year concession in 2008. The organization will be based in Brussels, have operating costs of around 220 million euros and will serve 1.8 billion people by 2010 (double that by 2020). Last but not least, the dollar has been falling noticeably against the euro, from around \$0.85 two years ago to about \$1.11 in mid-August. This development has left our “friends” in OPEC talking about pricing oil in euros rather than dollars.

The countries of “New Europe”, and the three Baltic States in particular, are thus beginning to face what only a few years ago would have seemed an unthinkable dilemma: having to choose between the United States and Europe. Furthermore, this dilemma is only exacerbated by the fact that Washington is still viewed as the region’s primary security provider, while the region’s economic destiny lies with Europe.

THE BALTIC diaspora has long been a force in American politics. After all, Chicago is said to be the second largest Lithuanian city in the world after Vilnius, Lithuania’s capital. Senator Richard Durbin of Illinois (allegedly of Lithuanian stock)

heads the bipartisan Baltic caucus in the U.S. Congress, which has 15 Senate and 75 House members. The Latvian diaspora was particularly active in lobbying the U.S. government to catalyze the disintegration of the USSR and to establish a pro-Western, market-oriented government in Latvia during the early transitional years. A large number of North American Balts then returned to serve in the governments of their newly independent homelands—even at the highest levels. Vaira Vike-Freiberga, president of Latvia since 1999, was formerly a psychology professor from Montréal, while Valdas Adamkus, president of Lithuania from 1998–2003, had been an environmental expert from (where else) Chicago.

Initially, the Baltic States thus believed they possessed a “special relationship” with Washington. After all, the United States withheld *de jure* recognition of the incorporation of Estonia, Latvia and Lithuania into the USSR after World War II and did not repatriate Balts to their Soviet homelands after the war. (The forcible repatriation of a small group of Latvian legionnaires by Sweden, however, is an ugly blotch on that country’s history.) The Clinton Administration contributed significantly to the withdrawal of Russian troops—a process completed on August 31, 1994—and to the removal of ex-Soviet military facilities from Baltic territory. (The demolition of Latvia’s Skrunda radar base, for example, was financed by the United States and supervised by American technicians.) The United States, further, strongly championed the NATO candidacy of former Warsaw Pact members and refused to let Moscow veto the decision. Washington’s position was firm despite considerable grumbling in the Russian establishment: one prominent Moscow-based expert even declared, “The day Estonia joins NATO, we send the tanks” Most recently, the U.S.-Baltic relationship was reaffirmed when President George W.

Bush met with all three Baltic presidents in Vilnius after the fall 2002 NATO summit in Prague, where a large Lithuanian audience applauded him loudly and enthusiastically. That this reception was considerably more positive than any he received in "Old Europe" goes without saying.

Because of security interests and diasporic ties, the U.S. government has been remarkably proactive in trying to promote American economic interests in the region. In 1990, under the auspices of the Southern and Eastern Europe Democracy program, the Commerce Department set up the Central and Eastern Europe Business Information Center (CEEBC), mandated to aid American investment and trade in 15 countries. In 2001, the center concluded that American firms are likely to have an advantage in finding customers in the Baltic markets for technically sophisticated items associated with information technology, telecommunications, pollution control and, above all, defense. Hence, such big-ticket items as dealing with the nuclear facility at Salaspils, Latvia, and modernizing air-traffic control systems may well involve American contractors in the near future.

Despite these efforts to promote economic ties, the reality is that American trade with, and investments in, the countries of "New Europe" remains relatively miniscule. American exports to Central and Eastern Europe are around 4 percent of this country's total exports, and imports are only slightly higher. This tendency is even more pronounced when one examines U.S. economic ties to the Baltic States. U.S. exports to all three Baltic countries totaled less than \$300 million in 2001, while imports were around \$500 million.

Even these statistics can be misleading. For example, U.S. Census Bureau data tends to include goods that are not of Estonian origin but are shipped from other post-Soviet states via Estonia.

Kristjan Prikk of the Estonian embassy explained that the U.S. import figure of \$573 million includes \$503 million in the category of "Mineral Fuels, Lubricants, and Related Materials", the production of which is close to zero in Estonia. This figure reflects the use of Estonia for re-exports of such products from Russia. As reported by the Estonian Statistical Office, the remaining \$70 million reflects the number of goods actually produced in Estonia and exported to the United States. While the U.S. statistic for its Latvian imports was \$287 million in 2000, the Latvian statistic for that same year shows exports to the United States totaling only \$58 million, thus reflecting a similar discrepancy. In terms of Baltic imports from the United States, it is estimated that about 80 percent of American brand name goods consumed there are produced by European subsidiaries. Only about 20 percent are actually exported directly from the United States.

In terms of foreign direct investment (FDI), one would expect that, given the close ties between the Baltic countries and the United States, American firms would predominate. This, however, is not the case. Estonia has a total FDI stock of more than \$3 billion, of which only about 10 percent comes from the United States. Lithuania's total FDI measured \$2.7 billion until Williams International, a critical American investor in the main refinery at Mazeikiu Nafta, sold its holdings last August to the Russian oil company YUKOS and withdrew from Lithuania altogether.

But while U.S. investors seem to be uninvolved or fleeing, Scandinavian investors possess a great deal of financial sway in the Baltic States. Ultimately, 18 percent of FDI in Lithuania comes from Sweden, with another 10 percent each coming from Finland and Denmark. This can be juxtaposed with the roughly 13 percent of FDI in Lithuania that originates in the United States. A similar pattern of

Scandinavian predominance in investment can be observed in Latvia, whose total FDI amounts to \$2.3 billion. Furthermore, many dominant financial positions in the Baltic States are held by Scandinavian investors: Sweden's Wallenberg family, for example, controls the leading banks in all three Baltic countries. This begs the inevitable question: Will Scandinavia's economic influence nudge the Baltic States further into the European camp?

It is not entirely clear that it will. Last fall, on the eve of the EU summit in Copenhagen, support for joining the Union barely registered 30 percent in Estonia. Uno Silberg, chairman of Estonia's "No to the EU" campaign, says: "The European Union is very like a disguised Soviet Union—a form of federal bureaucratic socialism." Many Baltic peoples fear the consequences of being treated like second-class citizens: subsidy payments to farmers, for example, will be only about 40 percent of what is paid to the farmers of current member countries. In addition, EU competition will hurt hundreds of thousands of near-subsistence farmers who will not be able to compete, either in terms of quality standards or production costs. Small businesses will struggle to meet the extra cost of fulfilling EU regulations on such things as workplace safety and environmental protection. As if all of these drawbacks were not enough, Uldis Osis, Latvia's former finance minister, pointed out a potentially more serious problem in the pages of *Diena*, Latvia's largest daily:

In the accession process, the EU itself gains a number of favorable outcomes. It gains new consumer markets, albeit presently with limited purchasing power. Furthermore, there are no limits on their investments. Profitability of investments in the candidate countries is generally many times greater than in the donor countries. Indeed, this profitability is likely to improve as economic development in the candidate countries accelerates. Thus, the EU,

often creating problems for the candidate countries, is itself making money here quite nicely.³

Despite these issues, Lithuanian voters approved accession to the EU this past May: Of the 63.3 percent of eligible voters who cast ballots, 91.06 percent voted for joining the Union. The outcome of the referenda in the other two Baltic States, however, is much more uncertain. Up from the anemic 30 percent figure mentioned above, support has been rising in Estonia, as well: While only 48 percent indicated they would vote in favor of EU membership in July, that figure had risen to 62 percent by August. Nonetheless, a solid 38 percent are resolutely opposed to EU membership. In Latvia, however, polls conducted by *Latvijas Fakti* indicate support for EU membership has recently been dropping, from 57 percent in June to 49.6 percent at the end of July.

Yet, despite a vocal and well-organized Euroskeptical opposition, it is likely that both Latvia and Estonia will join Lithuania to vote to enter the Union. Too much of the Baltic States' economic future is tied to the fate of the EU, and there is no alternative to greater integration with Europe. Whether by helping to close the nuclear plant at Ignalina, Lithuania (which shares the same design as the doomed Chernobyl facility), or by contributing funds for the "Via Baltica" (a highway linking Scandinavia with Central Europe), the EU will become the prime donor and investor in the region. As Thomas Ilves, the former Estonian foreign minister, has said, "petty rules and painful changes" are the price to be paid

³Certainly, the EU would benefit from the higher growth rates in the Baltic States. The Eurozone area had an anemic 0.8 percent growth rate last year. In comparison, 2001 was a very robust year for the Baltic countries, with growth rates of 7.9 percent in Latvia, 5.3 percent in Estonia and 5.1 percent in Lithuania.

for club membership, which promises to bring billions of dollars in restructuring funds that will continue until the new members' economies reach 75 percent of the EU average.

Indeed, the Baltic States will receive about 1.5 times more in EU assistance on a per capita basis than the other new members. In its first three years after joining in May 2004, Latvia can expect a transfer payment from the EU totaling 1.6 billion euros, which is about five times larger than that country's contribution to the EU budget (284 million euros). There will also be a special donation of about 70 million euros for border control and improvements in the judicial system that will approximately double the budgetary resources currently allocated to those areas.

Estonian and Latvian negotiators were also satisfied with outcomes in the fisheries and agricultural areas. The Gulf of Riga will be subject to the fishing quotas already enforced, and it will only be used by Latvian and Estonian fishermen. There were significant increases gained in both milk and grain production allotments, since both countries had significant output being traded in the shadow economy that was not covered by official statistics. Subsidy payments to farmers, which had caused a very negative reaction when proposed by the EU in January 2002, were doubled in the final agreement. Latvian farmers are scheduled to receive 73 million lats (more than \$100 million, depending on the exchange rate) in 2004, which is three times more than the Latvian government is able to allocate today. All in all, these are significant transfers of aid from the EU to the Baltic States, dwarfing any assistance packages ever proposed by the United States.

DOES BALTIC integration into the EU, however, mean a greater divergence with the United States? Not necessarily. Even though subsidies from the EU budget will

be welcome, public opinion will probably not become increasingly favorable to the EU over time. Benefits will be taken for granted and compliance costs to regulations increasingly resented. Furthermore, CEEBIC concluded that EU integration will actually benefit multinationals by standardizing regulations and operations for the region. Professor Erika Sumilo, Director of the North American Studies Center at the University of Latvia, says she is optimistic about the creation of new opportunities for both American and Baltic businessmen after accession. Greater mobility of labor and capital promises significant efficiency gains for the whole region. It seems likely that U.S. and west European firms will move factories eastward in search of lower labor costs, for GDP per capita in the Baltic States is much lower than the EU average.

One such company is Microsoft, which describes Eastern Europe, including the Baltic States, as the hottest market in the world, with annual sales growth greater than 30 percent. Microsoft presently estimates that 700 software developers from east European and Baltic countries are now employed at its headquarters in Redmond, Washington. Another burgeoning industry in eastern Europe is telecommunications, which is expanding equally as rapidly as computer software firms. Though the region had about 50 million mobile phone users by the end of 2001, a reliable estimate projects that figure to jump to about 140 million by 2006—an annual growth rate of 16 percent. Moreover, the number of wireless customers is expected to grow by 34 percent in eastern Europe over the course of this year alone, compared to just 7 percent in the West.

But the seeds of future tensions exist. One potentially problematic area concerns intellectual property rights, especially in the rapidly expanding field of information technology. The *Washington Post* recently reported on the three

Estonian computer programmers who developed Kazaa: an online, file-swapping system that enables people to trade movies, television videos and music. With 160 million reported users, Kazaa is the most popular such system in the world. Its explosive popularity has led a coalition of entertainment companies to file suit in the U.S. District Court in Los Angeles—a strategy that shut down another online, file-sharing colossus: Napster. Lawyers for the entertainment industry refer to Kazaa as an “intricate international shell game aimed at evading the U.S. court’s jurisdiction.” The Kazaa group claims the case has no merit and that “recent European law is on their side.” Jaan Tallinn, one of the thirty year-old programmers, said the involvement in U.S. courts is “a baffling situation from our point of view. The technology has been declared perfectly legal” in Europe.

Moreover, as the Baltic States become integrated into west European culture, broadly speaking, anti-Americanism will likely become the status quo of public opinion. In 1992, the Baltic countries avidly accepted American advice, and their governments tried to adopt American-modeled institutions. Today, the public relations spin is quite negative, and a handful of examples help explain this. A recent newspaper story that reported on the suspension of military aid over the Article 98 dispute generated some 600 e-mail responses in a few hours from local Latvians, nearly all of which were anti-American. At last count, there are quite a few McDonald’s outlets in the Baltic capitals, but they may become targets for anti-American and anti-capitalist demonstrators, as elsewhere in Europe, rather than harbingers of a new market-oriented society. A young marketing specialist in Riga wrote to me that drinking Coca-Cola is no longer considered cool by the younger generation, and that Marlboros have a negative image because they are American. Latin American soap operas

greet Latvian television viewers over a late breakfast, and most are tuned either to Russian or west European television networks (despite CNN’s general availability). Finally, there is always the possibility that the EU could use “local content” legislation of some sort to muscle the newcomers into broadcasting more heavily subsidized French films. Of all things, this will surely not advance America’s cause in “New Europe.”

EVEN though “New Europe” may tend to be pro-American, the United States should not adopt a policy of trying to divide them: Europe will be able to do that on its own, thank you. There are enough areas of potential conflict among the existing members—not least of which are over U.S. foreign policy—that will lead to shifting alignments among old and new members alike. (For example, the requirements of the Stability and Growth Pact are presently being questioned by Germany.)

This is why the United States should not think that the “special relationship” between the Balts ended once it and the latter achieved NATO membership. American foreign policy officials, regardless of their own political affiliations, have steadfastly maintained their support of the Baltic States. Bipartisan support for both economic and military aid, the activities of the Peace Corps and numerous educational programs (the Pew Economic Freedom Fellows program at Georgetown University is a fine example) have strengthened the center-right forces in Baltic politics and helped make EU membership more easily attainable. In other words, the great irony is that, though U.S. support was critical for preparing the Baltic States for rapid integration into Europe, it could ultimately undermine Baltic advocacy of future U.S. foreign policy initiatives.

Certainly, the Baltic countries’ ties to

the United States have paid off handsomely. This is why the Baltic leadership has supported U.S. anti-terrorism efforts quite enthusiastically—even while doing so carries considerable risk of domestic backlash. This would suggest that it is unlikely that the Balts would now concentrate on elaborating their role in the EU and abandon Uncle Sam. The ICC and intellectual property rights issues obviously demonstrate that areas of friction exist. Yet there is no reason for the relationship suddenly to become antagonistic, especially when the Baltic States are working closely with the United

States in pacification and democratization efforts in the Iraq. Moreover, prospects for an increase in trade appear quite positive all around. The Baltic States, therefore, appear to be very comfortable moving into a position that allows them to play the role of interlocutor between Washington and “Old Europe.” That the Balts’s future commitments to Europe, however, will sometimes lead to disagreements with the United States must not sour this historically positive relationship, the steadied cultivation of which is a shared national interest. □

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The Sick Man of Asia

Russia's Endangered Far East

Rajan Menon

RUSSIA ACQUIRED its Far East (*Dal'nii vostok*) the old fashioned way, through war and conquest. The imperialism of the Muscovite state, its Romanov successors and finally Josef Stalin's Red Army fixed the region's current borders with China, Japan and North Korea. The balance of power favored Russia's accumulation of land in these earlier times; its present weakness has cast doubt on its ability to retain all of the territory it now holds. The forces that pushed Russia into the forbidding vastness of what is now its Far East—migration, economic growth and military superiority over weak neighbors—seem poised to reverse course, with potentially disruptive consequences for the entire region.

The Russian Far East is a gaggle of territorial units varying in size and shape.¹ A vast expanse of 6.2 million square kilometers three-fourths the size of the "Lower Forty-Eight" U.S. states, the Far East occupies more than a third of Russia's landmass and contains a cornucopia of oil,

gas, timber, gold, diamonds, fish, coal and assorted industrial raw materials. Yet no more than 7 percent of Russia's population lives there. Emigration (10 percent of the Russian Far East's population has left since 1991) and a mortality rate that exceeds the birth rate (as is the case in Russia as a whole) ensure that the region's population will dwindle further. The Far East is also isolated from Russia's traditional centers of power in Europe: even its western fringe is more than 5,000 kilometers from Moscow, and its eastern flank, seven time zones away, nudges China, Japan and the Korean peninsula. Since distance dilutes power—the farther a region is from the center, the greater the limits on central control—the Russian Far East is too large to be administered by fiat from a remote capital.

The problem posed by these geographic and demographic attributes is aggravated by the strategic equation in Northeast Asia, which has moved steadily against Russia over the past decade. This growing disadvantage in relative power matters all the more because Russia lacks reliable allies in this neighborhood.

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¹It is comprised of the Sakha Republic, Primorskii *krai* (region), Khabarovskii *krai*, Amurskaia *oblast'* (province), Kamchatskaia *oblast'*, Magadanskaia *oblast'*, Sakhalinskaia *oblast'*, the Birobidzhan Jewish autonomous *oblast'*, and the Chukotskii and Koriakskii autonomous *okrugi* (districts).



Indeed, Northeast Asia's major powers have a troubled history with Russia, one that features war and territorial disputes.

Together, these facts of size, power, distance, geography, demography and history raise a stark question: Will the Russian Far East remain Russian? The weakening, or loss, of Russia's control over its Far East, which would have consequences for American interests in

Northeast Asia, could occur in three ways: separatism; a decline in Russian power that leaves this resource-rich region ripe for the taking; or creeping Chinese hegemony (a "reverse Manchurian" scenario, defined as preponderant influence without formal territorial control). To further paint this bleak picture, however, we must proceed with a brief account of how Russia acquired its Far East.

RUSSIA BEGAN its centuries-long eastward expansion in the 17th century. In the northern areas of what is now its Far East, indigenous people were subjugated with brutal ease and their land annexed. The pattern in the southern parts was different: China (albeit in a weakened state), Japan and the Western powers exerted a countervailing force. Territorial gains came more slowly and entailed an admixture of diplomacy and force. China's weaknesses made the task easier: Its Qing dynasty was in decline and losing legitimacy because of its fecklessness in the face of foreigners' encroachments and demands.

The Treaty of Aigun (May 1858)—a classic product of statecraft backed by raw power—established the border between Russia and China at the Amur and Ussuri rivers. It was followed in November 1860 by the Treaty of Peking, which gave Russia the land between the Ussuri river and the Pacific Ocean in exchange for its intercession to lift the Anglo-French blockade of the Chinese capital. The two treaties, which Mao Zedong later called the “unequal treaties”, added nearly 650,000 square kilometers to the Russian empire—territory that, as early as the Eastern Zhou dynasty (770–256 BCE), had been under Chinese suzerainty and recognized by Russia as Chinese territory in the 1689 Treaty of Nerchinsk. Russia cemented its hold over them by sponsoring migration from the western parts of the empire and by building towns, military outposts and the Trans-Siberian railroad (begun in 1891 and completed in 1905).

In Manchuria, annexation was a precluded option for Russia because Japan and the Western powers had acquired important stakes there. But China's troubles—which included defeat by Japan in the war of 1894–5—did enable Russia to establish a strong presence. The most impressive manifestation was the Chinese

Eastern Railroad (CER), which sliced through Manchuria, linking the Russian city of Irkutsk south of Lake Baikal and the Pacific port of Vladivostok. It eventually included a spur running south to Harbin. Russia also secured a lease at the end of the Liaodong peninsula, plus the Port Arthur naval base and the port of Dairen. Immigration and 100,000 troops secured Russia's position in Manchuria at the dawn of the new century.

Russia's gains in the islands of the North Pacific grew out of the convergence of Russian and Japanese power from different directions starting in the late 18th century. Russia initially had the upper hand. As Japan faced western pressure to open itself to trade, Vice Admiral Evgenii Putiatin concluded the Treaty of Shimoda (1858), which divided the Kurile archipelago between Russia and Japan—Russia received the islands north of Etorofu—and created joint control in Sakhalin. Under the 1875 Treaty of Petersburg, Russia acquired all of Sakhalin, and Japan the entire Kurile island chain.

But Japan's trajectory was different than China's. Rejuvenated by the reforms that followed the Meiji Restoration and its confidence supplemented by the 1902 alliance with Britain, Japan began to contest Russian expansion. The culmination was Russia's stunning defeat in the 1904–5 Russo-Japanese war, the result of its arrogant refusal to take Japan seriously. Russia could not mobilize adequate military manpower in its Far East or reinforce the region quickly enough through the 6,000-kilometer Trans-Siberian railroad. When it responded to Japan's destruction of its Pacific Fleet by sending its Baltic Fleet around the world, the Japanese sunk the weary armada in the Tsushima Straits.

Only Sergei Witte's masterful diplomacy allowed Russia to get off lightly at the Portsmouth negotiations. Under the treaty that resulted, Russia yielded to Japan the Liaodong peninsula lease, the rail line to Port Arthur and Dairen, and

southern Sakhalin, but retained the rest of the CER and a sphere of influence in northern Manchuria—until evicted completely in 1931.

At the end of World War II Russia was quick to recoup its losses in Manchuria. Soviet troops poured into the former sphere of influence in 1945, pillaging Japanese-owned raw material and equipment in the process. As Japan's surrender became a certainty, Stalin secured control of the CER and a lease on the Liaodong peninsula—including Port Arthur and nearby Dairen—from Chiang Kai-shek—gains that were soon sacrificed on the altar of proletarian internationalism once the Chinese Communist Party took over China in 1949. But the Red Army's reconquest of southern Sakhalin and the islands of Etorofu, Kunashiri, Shikotan and the Habomais endured, and rightful ownership of the latter group of islands, located at the southern end of the Kuriles, remains disputed between Russia and Japan.

In contrast to its ascendancy over the past several centuries, Russia's current weakness and sense of vulnerability contrasts with China's surge in power and confidence. This turnabout explains why the scenario of a Manchuria in reverse—the inexorable expansion of China's economic, demographic and political presence in the Russian Far East—figures prominently in Russian and Western assessments. Another outcome, also often discussed in tandem with Chinese hegemony, is the secession of the Far East as Moscow becomes too weak to retain it through coercion and too poor to hold it through co-optation.

Breaking Up Is Hard to Do

THE RUSSIAN Far East's future will turn on its relationship with the central government. Inept policies from Moscow could provoke people in the region to question the value of remaining within

the Russian Federation, generating upheaval inside the Far East and squabbles with Moscow. The ensuing instability will give rising powers opportunities and motives to seize the first mover's advantage in a Northeast Asia that is bound to face competition and strategic transformation.² Stated differently, what happens within Russia's Far East will affect the behavior of other states, not vice versa. This may seem a dismal conclusion given Russia's many economic and social problems. But, fortunately, apocalyptic scenarios of secession are quite improbable.

Paradoxically, the reason for this optimistic prognosis is the Russian state's weakness. The Russian Federation is a far cry from the hyper-centralized Soviet Union. Regional leaders have a good deal more leeway, which they demonstrate in ways ranging from the criminal to the comical. Though Putin symbolizes the strong state, Russia's center has been unable to tighten control over the provinces. Its inability to do so promotes stability—although not necessarily efficiency—and prevents secessionist backlashes: unable to rule the regions with an iron hand or to be a provider *par excellence*, Moscow is forced to deal with the provinces through negotiations and compromise. Chechnya, despite the attention it receives, is an exception to the prevailing pattern of Russian federalism, wherein disputes are settled at the bargaining table rather than the battlefield.

Yet a loose federation is hardly Moscow's preferred outcome. Putin has sought to assert his control over the 89 units of the Russian Federation by incorporating them into seven "federal districts", each headed by a presidential representative. The Far East comprises one such district, with its headquarters in Khabarovsk, and is headed by Konstantin

²See Rajan Menon and S. Enders Wimbush, "Asia in the 21st Century," *The National Interest* (Spring 2000).

Pulikovskii, who was appointed by Putin in May 2002. Pulikovskii is a former general with command experience in the North Caucasus—including in Chechnya—but is also a “local”, a native of Ussuriysk.

This reorganization to bolster central control, however, is doomed to fail. Despite, or even with the connivance of, presidential representatives, the Russian Far East’s leaders will rule their domains as fiefdoms. Even when they are ousted, they will land positions in Moscow or elsewhere and retain a measure of influence by ensuring that their acolytes remain in pivotal positions.

Take the case of Evgenii Nazdratenko, former governor of Primorskii *krai* and an embodiment of entrenched power and corruption. He was appointed governor by Yeltsin in 1993 and elected to that post in 1995. Putin dislodged him, but then appointed him chairman of the State Fisheries Committee, a post which, given how important fishing is to the Far East’s economy, ensured Nazdratenko’s continued influence in his former domain. He also continued to wield influence through several protégés who survived the housecleaning carried out by his successor, Sergei Darkin. Amidst allegations of corruption, Nazdratenko was moved from the Fisheries Committee in 2003, but was appointed deputy secretary of the State Security Council—a testament both to his resilience and the sorry state of Russian politics.

Leaders in the Far East are unlikely to upend federalism to seek outright independence, and the deck is stacked against those who might try. To begin with, there is no “Russian Far East” except in conceptual and administrative terms and as an expression of convenience. The region is a conglomeration of disparate political units that vary in their resources (the northern regions are less industrialized and are more sparsely populated than those in the south) and in their degree of entanglement with Northeast Asia’s

economies. This makes for a cacophony of interests, not a unity of purpose or a common agenda at the center. Economic patterns reinforce the Far East’s political disunity: autarky, protectionism and diverse policies reign; interdependence, let alone integration, remains anemic. Above all, local leaders are busy bolstering their positions and power (not to mention their incomes). Conspiring to bolt from the Federation is a distraction.

Furthermore, neither the history nor the ethnic composition of the Russian Far East favors separatism. There has never been a genuine movement for Far Eastern independence. The so-called Far Eastern Republic of 1920–22 was the short-lived child of war and foreign intervention, not of nationalism. The republic’s independence from the Bolsheviks was a fiction established to create the illusion of an independent, non-communist center of power. It was dismantled once the Bolsheviks won Russia’s civil war, and many of the republic’s leaders went on to become Communist Party officials in the Far East. Breakaway movements that arose elsewhere in the Far East after the Bolshevik revolution were Japanese-initiated, not examples of genuine nationalism, and collapsed once the Japanese withdrew.

Anti-Russian nationalism continues to be weak in the Far East. Unlike in Chechnya, there is no robust social basis for secession powered by ethnic grievances. Russian nationalism, tinged with Sinophobia, is far stronger in the region’s overwhelmingly Russian population, even if the sentiment coexists with grumbling about the center’s neglect and ineptitude. Though there are many non-Russian peoples in the Russian Far East (Chukchi, Dolgan, Even, Evenk, Itelmen, Koriak, Nivkhi, Yukhagir and Sakha among others), most are small, scattered, divided by social and economic differences, and lacking in strong national consciousness—in other words, damp kindling for igniting

anti-Russian separatism. The weakness of nationalism works to Moscow's advantage since independence movements rarely prevail absent ethnic differences that can be used to mobilize people.

Consider the example of huge, diamond-rich Sakha, which is half as large in area as the entire Russian Far East and is Russia's largest ethnic republic. The Sakha possess a national consciousness that has been growing since before the fall of the Soviet Union (seen most prominently in the promotion of their Turkic language and culture and in their desire for control of a larger share of the income from their republic's diamond production).

Anti-Russian separatism nevertheless remains on the political fringe in Sakha, for four major reasons. First, center and republic have reconciled differences through negotiation, giving Sakha's culture more heft and a bigger cut of diamond revenues. Second, the Sakha account for only a third of their republic's population. With ethnic Russians constituting half its population, separatism would be a recipe for ethnic conflict—something for which most Sakha have no taste. Third, Sakha's economy turns on raw materials, which are especially subjected to fluctuations in price, and its land has little capacity to grow food. It is, therefore, ill-suited to going it alone. Finally, the Sakha are unenthusiastic about a separate Far Eastern state for fear that Russian nationalists would run it (they would likely be far less charitable than Moscow has been). There will doubtless be tussles between Moscow and Sakha over federal subsidies, the proportion of local revenues retained by the republic, and the apportionment of shares in the local diamond monopoly, Almazy Rossii-Sakha, which produced almost all of Russia's diamonds, but since negotiations on such matters have proven feasible, why should Sakha risk blood and treasure on campaigns for independence that involve big risks and little prospects for further gain?

Money also curbs local leaders'

enthusiasm for independence. While they complain about the paltry and diminishing subsidies from the center, they understand that these funds, however meager, help them rule. And it is hardly the case that independence from Russia would free them to bring prosperity to the Far East by building closer economic ties with China, Japan and the wider Asia-Pacific. Formidable obstacles block the region's economic integration with East Asia, among them shopworn infrastructure, rampant corruption and criminality. Independence would not erode these barriers; it would strengthen them by removing even the modest supervision the center exercises today. And statehood would hardly strengthen the Russian Far East's capacity to strike lucrative deals with the outside world. Rather, separation from Russia would reduce the Far East's leverage—no small matter in a region where high hopes for foreign investment coexist with visceral fears that it will bring dispossession and exploitation by foreigners, above all the Chinese.

Ambitious local leaders have also acquired a political stake in the continuation of the Russian Federation, which provides them a platform—whether in the form of the Duma, the Federation Council or the more recent State Council—for pursuing grander ambitions in national politics. Connections in Moscow also bolster their position in local politics by enabling deals to be struck, patronage to be disbursed, and endorsements to be won—and these are the currency for buying support, awe and allegiance at home.

Finally, leaders who have risen to the top in the rough and tumble of the Far East's politics are hard-nosed realists under no illusions that the security of the Far East will be improved by seceding from Russia. On its own, the weak yet alluring region would be the plaything of surrounding powers, not an independent factor in Northeast Asia's balance of

power. The widespread worry about this scenario, historical memory and abundant fears of the malign motives of neighboring states (particularly China) are powerful deterrents to divorce.

Enemies Within

A SECOND DANGER is facing the Far East. This one lacks the drama of breakaway movements and civil wars, but it is perhaps even more dangerous: torpor. This malady threatens to erode the region's economic vitality as well as its security.

The danger posed by torpor is not immediately apparent, for the Far East has immense economic potential, particularly in an age when profit-seeking capital crosses national boundaries with unprecedented ease. The region has much to offer globalization's cold-eyed profit-seekers: abundant energy and raw materials (much of which is yet untapped), relatively cheap and skilled labor, and proximity to the markets of the Asia-Pacific.

These strengths are undercut, however, by a climate of decay, which compounds the region's inherent problems and makes it a weak magnet for foreign investment. Ecological problems, now exacerbated by the deterioration of the Russian Pacific Fleet's nuclear submarines, are pervasive and create extra costs for would-be investors. In the early 1990s, the defense industries and shipyards of greater Khabarovsk and Vladivostok employed 400,000 people and were a mainstay of the local economies. With steep declines in orders placed by the cash-strapped Russian military and fishing fleet, there have been massive layoffs, which have not been offset by new sources of steady employment.

The results have been protests and strikes, a reliance on multiple low-paying jobs for earnings, high unemployment, migration and increased poverty. The end of the Cold War and the penury of

Russia's government have dried up orders for armaments and left unpaid more than a few bills for equipment already delivered. Foreign investors could convert these industries to non-military production, but the costs would be great and the delay imposed by the thicket of bureaucratic regulations considerable. Permafrost, which covers nearly three-fourths of the Far East and can be miles thick, makes construction difficult and expensive. Buffoons, crooks and xenophobes have attained positions of power with enough regularity to give bad governance deep roots. A maze of shifting regulations policed by central and local bureaucracies with conflicting aims breeds corruption and confounds investors. Federal and local legal institutions neither effectively guarantee the enforcement of contracts nor offer reliable protections against the expropriation of property. A sorrier list of conditions for luring foreign capital is hard to imagine.

The outlook is even bleaker when one considers the quality of human capital. The Far East tracks with the larger trends in Russia. The population is aging as fertility rates decline. The spread of diseases such as HIV/AIDS, tuberculosis and diphtheria threaten to divert scarce resources from productive investment. Social problems such as substance abuse, suicide, domestic violence and homicide are on the rise. Institutions providing basic education and health care lack money, supplies and sufficient qualified employees. The atrophy of human capital is pervasive and generally worsens the farther one moves from Moscow. And nowhere in Russia is farther from Moscow than the Far East.

Its location has, however, blessed the Russian Far East with enormous stocks of oil and gas, much of it still untapped, and with large and lucrative markets close by. China is certain to become a larger customer for the Far East's oil and, if it can switch from pollution-laden coal as its

principal source of energy, its natural gas as well. China, which became a net energy importer of oil in 1993—now relying on imports (about half coming from the Middle East) for nearly a third of its consumption—is determined to diversify its sources of supply and find new ones closer to home, especially as its dependence on foreign oil promises to grow. Japan is even more reliant on imports, and while its lack of a comprehensive national distribution network for natural gas impedes large purchases from Russia, it, too, seeks to reduce its dependence on Persian Gulf oil. Japanese companies have been pivotal in developing Sakhalin's energy resources.

These circumstances bode well for the Russian Far East and have generated some massive energy projects, underway or in gestation, throughout the region. After almost a decade of haggling over details, the Chinese National Petroleum Corporation (CNPC) and the Russian oil giant YUKOS signed an agreement in May 2003 to build a \$2.5 billion pipeline that will stretch 2,400 kilometers from Angarsk (near Irkutsk) to Daqing in China. It will transport over 5 billion barrels to China between 2005 and 2030, raising Russia's daily oil exports to China from 40,000 barrels a day today to 600,000 barrels.

Not to be outdone in the deal-making, Japan lobbied hard until the last minute for an alternative—and at \$4.5 billion far more costly—pipeline, which would have run entirely through Russia's territory from Irkutsk to the Pacific port of Nakhodka and enabled Russian oil to be sent not just to Japan, but also to the United States and the wider Asia-Pacific region. Despite Russia's choice of the less costly Angarsk-Daqing route, Putin has said that the pipeline to Nakhodka is attractive and worth pursuing if Russia proves to have enough oil reserves. Soon after the agreement on the Angarsk-Daqing pipeline was reached, Japan offered Russia \$7 billion in low interest

loans to develop its east Siberian oil fields.

Russian officials, for their part, are also obviously mindful of the need to limit the dependence on China. In addition, the six offshore oil and gas consortia in Sakhalin will boost Japanese purchases of Russian energy. Chinese, and possibly Japanese and South Korean, imports of Russian natural gas will grow if officials construct the planned pipeline to China from the Kovyktinskoye fields (also located in Irkutsk province and managed by a joint venture between BP-AMOCO and the Russian oil company, SIDANKO).

Even if all of the impediments facing these various projects are overcome and they are up and running within the next decade, energy exports will not be a magic elixir that transforms the economic face of the Russian Far East. The region's pervasive corruption and economic mismanagement, which will result in the theft or waste of energy revenue, is one reason why. Another is Russia's susceptibility to the pathologies that have affected many countries that have staked their economic future on energy sales: gains in employment have been largely confined to the energy sector, which is capital intensive and thus employs a small percentage of the labor force; there are few multiplier effects to stimulate the rest of the economy; opportunities for corruption and criminality increase; and much-needed reforms are postponed because oil and gas provide a panacea.

There is nothing to suggest that Russia in general or its Far East in particular will defy this pattern. Already Sakhalin could be a bellwether. The energy boom there has sent real estate prices soaring and increased prices for essential goods and services without generating a large number of jobs. True, good governance can make the difference and harness energy wealth to promote economic development and social welfare, but there

is scant evidence of this particular precious commodity in the resource-rich Russian Far East.

The only foreign investments that have flourished come in the form of the pernicious manifestations of globalization: transnational organized crime, smuggling, narcotics trafficking and prostitution, in which criminal syndicates from Russia, Japan, Korea, China, Central Asia and the Caucasus are involved. Vladivostok, for example, is better known as a market for stolen Japanese cars than as a magnet for productive investment from the Asia-Pacific.

Strong leaders who try to root out these ills pay a heavy price. Consider the case of Magadan's governor, Valentin Tsvetkov. Known as "the bulldozer" for his relentless crusade against crime and corruption, Tsvetkov was reportedly investigating the misappropriation of a \$75 million loan extended to Magadan by the central government when he was gunned down in broad daylight on a Moscow street in October 2002. Corruption, in stark contrast, offers sweet dividends, as the autonomous region of Chukotka shows. Roman Abramovich, an aluminum and oil magnate from Moscow, who also has a 49 percent stake in the government-controlled ORT television network and whose wealth stems from close ties to Boris Yeltsin's family, was elected to Chukotka's sole Duma seat in 1999 and to its governorship the following year.

Many Russians see Chukotka's oil and mineral wealth, rather than a bout of public spiritedness, as the reason for Abramovich's political ambitions in a far-flung region that is virtually bankrupt, lacks a single highway or rail line, and has seen the emigration of half its population over the past decade. Chukotka is not an exotic exception. The rest of the Far East offers political cover and a route to respectability for Russia's oligarchs and criminals.

Silk-Gloved Hegemony

WOULD that the torpor of the Far East were merely an obstacle to its economic development. It also exacts a heavy toll on the security of the region by making it susceptible to hegemony and by making it harder and costlier for Moscow to defend its territory. To begin with, poor governance and a harsh and damaged natural environment will ensure that the Russian Far East remains dependent on the center. Dreams of integration with the Asia-Pacific region—featuring a Eurasian rail corridor that runs through the Far East, connecting the Pacific with Europe, and energy pipelines that supply Northeast Asia—will remain pipe-dreams. The region is unlikely to generate self-sustaining growth and attract any significant amounts of foreign capital. The paucity of local resources (human and material) that can be mobilized to defend the region will present Russia with the problem it faced during the 1904–05 war with Japan—one all the more daunting because the cash-strapped central government must defend its western and (particularly) southern borders as well.³

Ironically, the steady improvement in Sino-Russian relations since the late 1980s has created a new problem: the influx of Chinese (as traders, laborers and illegal immigrants) into the Russian Far East. This has fueled fears of creeping Sinicization. Politicians in Russia manipulate sensationalism about the demographic changes, but popular fears of Chinese encroachment are no less real for that. They flow from differences rooted in history, race and culture, evoking suspicion and vulnerability as Russia's centuries-long preponderance over China ends. It

³Although the Russia-China border—among the world's longest—was largely delimited in the 1990s, there remain disputed locations in the Ussuri and Amur zones.

was that preponderance that determined the current border, placing within Russia much territory that had been (however loosely) Chinese as recently as the mid-19th century—merely a glimmer in Chinese conceptions of history.

Demographic trends aggravate the problem of defending the Russian Far East, not least because harsh conditions will continue to deplete its population, which Russian demographers project could fall by as much as an additional 25 percent by 2020. As it is, only eight million Russian citizens inhabit its six million square kilometers. Across the border in China's northeastern provinces (Inner Mongolia, Heilongjiang, Jilin and Liaoning), 130 million Chinese are shoe-horned into two million square kilometers, and the population density is up to thirty times what it is in the Russian Far East. Cross-border trade and migration (legal and illegal) have deepened China's demographic footprint over the past decade. Even if reports of three million immigrants are wild hyperbole, reasonable estimates put the Chinese population living in the Russian Far East between 20,000 and 100,000.

If Russia's relationship with China turns hostile—and history provides several instances of that—Moscow would be hard-pressed to defend the Russian Far East: it is too close to China's centers of power and too far from those of Russia. Moreover, Russia's armed forces are not just shrinking, they are deteriorating in every aspect: procurement, training, maintenance, the quality of recruits and morale. Units stationed in the Far Eastern Military District are worse off than those based elsewhere—at the end of the line when it comes to the distribution of funds, supplies and weapons.

By contrast, China's military, which was quite recently a giant horde of foot soldiers, is modernizing steadily—chiefly with Russian weaponry, much of it supplied from cash-starved military industries

in Khabarovsk, Komsomol'sk and Vladivostok. It may lag far behind the United States, but in force projection, speed, accuracy and lethality it is a wholly different force than it was a decade ago, thanks to Russian fighter jets, submarines, tanks and missiles, many of them built in the Russian Far East.

Yet the chances that China will attempt to conquer Russia's Far East are slim. Such a brazen power play would damage China's wider interests. Taiwan might recoil in terror and treat Beijing's proposals for a negotiated reunification with even greater skepticism and wariness. The prevailing Western rationale for economic engagement with China—that commerce will transform and co-opt that country—would be shredded. China would likely face a counterbalancing, encircling coalition of the United States, India, Japan, Russia and Vietnam. Would such setbacks justify the burdens of ruling the vast, problem-infested Russian Far East? The Chinese leaders know their Sun Tzu: what they seek from the Russian Far East (access to resources and a benign northern front) can be had by means of silk-gloved hegemony.

Chinese interests can be served without its formal occupation of the territory. Indeed, what may emerge could be a "reverse Manchurian" scenario, where the Russian Far East remains a titular part of Russia but is increasingly integrated into Beijing's sphere of influence. That is precisely what the conspiracy among geography, demography, power and time may create in Russia's Far East.

At the other extreme, a weak and unstable China—a prospect rarely discussed in the West—would also threaten the security of the Russian Far East because Beijing would be unable to control population movements, maintain order or enforce agreements reached on cross-border trade and transits. But if forced to choose between these two futures—an aggressive China and an

unraveling China—it is a safe bet that Russian officials responsible for national security will select the second; it is certainly the one that keeps them up at night.

Manipulate, Co-opt, Stretch

AS RUSSIAN strategists see it, the key is to keep China's growing influence in the Far East within tolerable bounds, such that hegemony does not segue into imperialism if China's growing might combines with a pugnacious nationalism. The best way to prevent this metamorphosis is to combine cooperation (economic exchanges and arms sales with China) with balancing (building multifaceted ties with other states that also have reason to fear China's power), thus giving China a stake in a cooperative relationship with Russia. This would also ensure that China could be matched, if not by Russia alone, then by a counterbalancing coalition if it opts for confrontation.

The first step, of course, is to cement good relations with China. Putin, like Yeltsin before him, fetes China as a "strategic partner": China buys more Russian weapons than any other state; and Russian-Chinese summits include not just the standard bonhomie but concrete accords embodying strategic concord. The many meetings between top Russian and Chinese leaders since 1991 have shown that the two sides share many strategic concerns. For example, both oppose a unipolar world dominated by the United States, as well as by separatism and Islamic fundamentalism, the American plan for a ballistic missile defense system, and military intervention in countries based on principles of human rights that override sovereignty. Both favor a stronger UN, a multipolar world, and the use of diplomacy and persuasion in dealing with North Korea's nuclear program.

Among the concrete manifestations of

the convergent interests between China and Russia is the Shanghai Cooperation Organization (SCO), which brings together China, Russia and the Central Asian states to prevent Central Asia from becoming an American sphere of influence in the wake of 9/11 and to thwart terrorism and militant Islamic movements in that region. Various transactions, including cooperation on energy, China's purchases of Russian arms and Russian assistance for the Chinese space program lend further substance to what both parties characterize as a "strategic partnership." These points of convergence were in evidence most recently in May 2003, when the new Chinese president, Hu Jintao, visited Russia—in his first trip abroad as president—to meet Vladimir Putin, pledging even before he left for Russia to take the partnership to "new and higher levels." The final piece of the puzzle is to maintain good relations with Asia's other leading regional powers.

Yet Russia's relationship with the West is also crucial for counterbalancing China, which is among the reasons why post-Soviet Russia has opted for democracy and capitalism, the hallmarks of the West. Russia aspires to join the WTO; it is a member of the G-8, the club of economic heavyweights (though its economy is smaller than the American defense budget); and it has realized that consultation with NATO will offer more benefits than a policy of opposition to its expansion. However, a number of sticking points remain in Russia's relations with the West, and these tensions mean it cannot rely on the West alone to form a counterweight to Chinese power.

The alignment with India, the second largest customer for Russian weaponry and a holdover ally from the Soviet era, is vital in this regard and is fortified by many intersecting interests besides wariness about China, among them economic ties, support for robust international institutions, and a suspicion of unilateral mili-

tary campaigns. Russian plans for the economic development of its Far East also envision Japanese investment as an essential ingredient, and Russia's unease about China's ambitions may eventually spawn a new approach to Japan that includes a settlement on the Etorofu, Kunashiri, Shikotan and Habomais islands. Japan, which shares Russia's apprehension about China, will warm to compromise. This will take time.

The territorial issue is particularly sensitive and will require mutual compromises that will be unpopular in both countries. (Putin will therefore not act until the 2004 elections in Russia are over.) Nevertheless, both Russia and Japan have taken small steps forward. Under Yeltsin, Russia acknowledged that there indeed was a dispute over the islands, something that the Soviet leaders were unwilling to do. Since that change, the deal that almost worked in 1956 (when it appeared that Russia would relinquish Shikotan and the Habomais island cluster, allowing for the signing of a peace treaty) has intermittently been floated by both sides. While Japanese Prime Minister Junichiro Koizumi initially rejected this approach, insisting on the return of all of the islands claimed by Japan, more recently he has referred positively to the 1956 model. The fact is that there can be no effective Russian strategy for defending the Far East and for promoting its economic development that banks only on the West. Asia will have to be brought into the mix.

Russia will thus defend its Far East by drawing China, Japan and Korea—rising powers that might otherwise look upon territory in the Far East with rapacious eyes—into a web of cooperation that creates payoffs and gives important constituencies within these countries a stake in regional peace and in a Russia that is stable and whole. Trade and investment, centering on Russian oil and gas, would launch this regionalism, and Moscow

would also seek to tighten the link between the Far East and the rest of Russia by bringing to the region investment from Russian energy companies. Moscow will look to the West's capital and technology to provide momentum to prevent any one Asian state from dominating the Far East's economy. Regional cooperation would deepen as other plans—such as a secure and speedy connection between Asia and Europe using the Russian Far East's ports and rail lines—become reality, and as Russian energy begins to slake Northeast Asia's thirst for non-Middle Eastern energy sources.

Russia's hold on its Far East will depend in part on whether this vision of co-optation and counterbalancing becomes reality. But if cooperation driven by commerce fails because of the miserable conditions in the Russian Far East—its torpor—Russia's weakness will reduce it to a supplicant in Northeast Asia. Such an outcome could foster uncertainty, miscalculation, temptation and rivalries for spoils among the region's ascendant powers. Rising powers will make the Russian Far East their sphere of influence, transforming it into an arena for strategic competition. The pursuit of hegemony under competitive conditions could give way to outright imperialism if one state prevails, or perhaps even to the dismemberment of the region.

In the unlikely event that China were to acquire land and resources of the Russian Far East outright, its power and strategic position would be boosted immeasurably. Any ambitions it might develop to dominate Northeast Asia would then be more feasible, as would its efforts to supplant the United States as the preeminent power in the region. To avoid subordination to China, Japan and South Korea might decide to bolster their military might, perhaps even to build nuclear weapons, adding to the instability and risk of war in the region. Either

dénouement—Chinese preponderance or a regional military buildup aimed at resisting it—would make the North Pacific a more dangerous place, and one less hospitable to the United States.

America's Bottom Line

THE UNITED States should not be surprised, let alone alarmed, by cooperation between Russia and China. Russia cannot afford a large and hostile power on its weak and remote eastern flank. Yet it will fail to gain China's attention and respect without a substantive relationship with the West, especially the United States. Cooperation between Russia and China will, therefore, inevitably be accompanied by parallel efforts to strengthen ties with the West. Moreover, Russia is not unaware of the dangers of unbridled cooperation with China. It has deliberately kept alive the prospects of the Angarsk-Nakhodka pipeline. Similarly, the strategic partnership with China notwithstanding, Russia turned down China's request for long-term leases on the Russian Far East ports of Zarubino and Poset during Hu Jintao's visit to Moscow. While China's interest in these ports stemmed from the opportunities they provided for exports from its northeast to Japan and the Korean peninsula, Moscow was almost certainly skittish about the strategic implications of giving Chinese Manchuria outlets to the Sea of Japan—and just south of Vladivostok, Russia's main Pacific naval base. This apprehension reflects deeply-rooted Russian perspectives on the world beyond.

The Far East's torpor will prevent Russia from deterring foes or contributing much to the strength of any coalitions that arise against a state or alliance that threatens Northeast Asia's balance. And this means that the United States cannot count on Russia, however friendly it might be, as a capable strategic partner in

Northeast Asia. On the contrary, the United States and its allies, especially Japan and Korea, will be forced to develop strategies that shore up Russia so that its land, strategic depth and resources do not fortify the power of any state with the motives, means and opportunity to reconfigure Northeast Asia's status quo.

Because the conventional forces in Russia's Far Eastern military district are in a state of near-collapse, Moscow may increasingly be forced to lower the threshold for using, or threatening to use, nuclear weapons to defend the region. That is not good news given the condition of Russia's nuclear arsenal; nor is the dependence of Russia's Eastern military industries on purchases from China. Russian arms cannot close the gap between the American and Chinese militaries, but they have and will increase the risks American forces must confront to defend Taiwan, and that consequence affects the credibility of its commitment to Taipei.

It is sound policy, therefore, to increase the role the United States plays, through programs like Nunn-Lugar, in promoting defense conversion in the Russian Far East. It is also in America's interest to see Western and Japanese firms take an even greater part in tapping the region's energy. While that may contribute to China's energy security by reducing its dependence on the long, vulnerable sea-lanes connecting it to the Persian Gulf, it will diversify sources of supply for the United States and its partners and help prevent the Russian Far East from becoming the sphere of influence of any one power—a sound tradeoff.

In contrast to the Cold War, Russia will find that American forces and alliances in Northeast Asia make its Far East more secure and supplement its strategy of stretching China's power in multiple directions. How Russia will contribute to American security in Northeast Asia is far less clear—and the parlous state of the Russian Far East is a big reason why. □

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Left Behind

Ukraine's Uncertain Transformation

Anders Åslund

Ukraine has never been so close to an oligarchic system of power. We are witnessing the first stage of a *coup d'état* that started inside the walls of parliament.

—Ukrainian opposition leader Viktor Yushchenko, December 18, 2002

THESE DRAMATIC words reflect a developing political crisis in what is arguably the most delicately situated major country in Europe today. On the one hand, the oligarchic regime is becoming ever more authoritarian and President Leonid Kuchma ever more unpopular, with an approval rating hovering around 7 percent. On the other hand, political opposition and civil society have gathered strength, and new forces may soon come to power. The natural showdown is the next presidential election, scheduled for November 2004, but the preparations for that showdown will determine the outcome.

The West, and the United States in particular, cannot be indifferent to Ukraine's fate. It is the nexus between an expanding European Union, the Eurasian colossus of the Russian Federation and the northern Middle East. A stable and

prosperous Ukraine facilitates interaction among its neighbors; a weak Ukraine creates a power vacuum that encourages rivalries. In a host of areas, Ukraine as a state could become a major contributor to global instability, from organized crime to WMD proliferation.¹ This is why safeguarding the future of Ukraine is critical.

Right now, however, everything appears to be up for grabs. Semi-democratic Ukraine could become a dictatorship or a fuller democracy. Though a market economy of sorts exists, and the country has seen three years of strong economic growth, this progress is not guaranteed: it could easily break down into a corrupt oligarchy. Western-oriented reformers argue that Ukraine must make its "European choice", but Ukrainian nationalists fear their country's independence will be subverted by a revitalized Russia. Pessimists fear that President Kuchma and the oligarchs are transforming Ukraine into another Belarus—that rogue, Soviet-style theme park that, as the last dictatorship in Europe, is as outmoded as it is outclassed by everything around it. Who will win? A decade hence, what will Ukraine be like? Perhaps the country's post-Soviet history can give us a

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¹See Andrei Kokoshin, "Russia's Role in Proliferation: Obstacles and Opportunities", *In The National Interest*, vol. 2, no. 18, May 7, 2003 (www.inthenationalinterest.com).

place to begin in answering this question.

A Late Economic Transformation

DURING ITS first years of independence, Ukraine was preoccupied with nation-building, and little thought was devoted to economic policy. This was reflected in the election in December 1991 of Ukraine's first president, Leonid Kravchuk, formerly the Second Secretary of the Communist Party of Ukraine, who quickly changed his stripes when the old regime died. Though the jovial Kravchuk appeared a plausible nation-builder and mediator between the nationalist west and the Russified eastern part of the country, his economic philosophy could best be summarized as neglect. While a small number of operators made fortunes from the post-Soviet economic transition, general prosperity proved elusive, with a devastating rate of hyperinflation reaching more than 10,000 percent in 1993. The resulting economic free-fall provoked coal miners to strike and forced Kravchuk to call early elections. To his great surprise, he lost to Leonid Kuchma, the ultimate "red director"—the former manager of Ukraine's biggest armaments factory, who was viewed as a technocrat.

Kuchma undertook substantial economic reforms during his first year in power, leading to financial stabilization, but soon lost interest in marketization and privatization. As the interests of the old state managers dominated, economic decline continued, impoverishing the nation and forcing many to seek some measure of support from the growing underground economy. A handful of businessmen became billionaires by importing natural gas from Russia and foisting the bill on the government. In November 1999, Kuchma was re-elected thanks to a credible communist threat and heavy financing from the newly minted, billionaire oligarchs, who appeared to have

bought the state.

The oligarchs proceeded to accumulate still more privileges as the rest of the economy descended into the doldrums of red tape and endless petty corruption. Ukraine soon achieved the worst economic performance of any post-communist state not plagued by war: Its official GDP per capita, which used to be higher than Russia's, declined steadily to half that of Russia. Oligarchic parasitism had driven Ukraine to the verge of external default.

Frightened by the Russian financial collapse of 1998, the Ukrainian oligarchs realized how desperate the situation was. Oligarchs, liberals and nationalists united in parliament and wrested control from the communists. They appointed Viktor Yushchenko, the highly-respected chairman of the Central Bank, as prime minister in December 1999 and charged him with saving the economy. Yushchenko named Yulia Timoshenko, at one time Ukraine's gas queen, deputy prime minister for energy. As a former oligarch who has fallen out with Kuchma, she knew all the tricks, and she took on the remaining oligarchs with full force.

In the course of four months, Yushchenko, Timoshenko and a handful of aides transformed Ukraine. They deregulated the economy, abolishing hundreds of decrees that had granted the oligarchs tax exemptions, subsidies or trade privileges. They enforced strict budget discipline, sharply reduced barter (an important means to extract tax rebates) and still managed to cut taxes. Yushchenko carried out a major land reform initiative and privatized many big enterprises, boosting the private share of the economy from about 50 percent to 60 percent. Timoshenko applied her unique knowledge as a former gas oligarch to clean out the energy sector.

The economic results were stunning. Ukraine's annual economic growth surged from 6 percent in 2000 to 9 percent in

2001 and remained above 4 percent in 2002. Exports from private enterprises in steel, textiles, agriculture, food processing and other light industries were the main engines of this growth. The budget was balanced, foreign debt was reduced from about 40 percent of GDP to about one-quarter of GDP, and prices and exchange rates stabilized. Millions of small and medium-size enterprises emerged. Ukraine's situation elegantly illustrates not only how damaging gradual market reforms can be, but also how radical market reforms can successfully revive a country.

Yushchenko had saved the country from default, but the oligarchs had only been diminished, not displaced. In April 2001, they ousted Yushchenko with the support of the communists and put a government of civil servants acting as caretakers in its place. Further economic reforms came to a halt, although existing ones were not reversed.

An Oligarchic State

DESPITE THE great distance traveled by Ukraine after the Cold War, no post-communist state today is more oligarchic. Initially, the clans were limited to the gas trade, but they have adapted and become regional conglomerates. Big business in Ukraine is even more entangled with the state than it is in Russia, and it is even more disposed to criminality. Today's Ukrainian oligarchs are reminiscent of those in Russia in the mid-1990s, presiding over unwieldy and shady business structures and sporting scores of bodyguards. Yet all the Ukrainian oligarchs have a seat in parliament. After elections in March 2002, nine oligarchic party factions now hold a slight majority among 450 parliamentarians. The oligarchs hold forth in parliament not to advance the common good but to immunize themselves against market competition by

acquiring tax exemptions, subsidies and other privileges.

The most transparent indication of the oligarchs' wealth and political power is the size of their parliamentary factions. At present, three clans dominate. The most prominent and stable is the Kiev-based clan co-headed by Hryhory Surkis and Viktor Medvedchuk. They got their start in trade and real estate but then moved into the more lucrative gas industry; power utilities have since become their forte. Not stopping there, they have branched out into all conceivable industries, including steelworks and machine-building factories. They also "own" the well-organized and well-funded Social Democratic Party (SPDU) and its 39 members of parliament.

The Dnepropetrovsk group, Ukraine's second large clan, is led by the businessman Viktor Pinchuk, who is married to Kuchma's only daughter, Lena. His main company is Interpipe, which unites four big steelworks, earning him the unofficial distinction of being Ukraine's pipe king. Pinchuk runs a company with normal corporate structures, being the main Ukrainian oligarch displaying an ambition to gentrify himself, as have many Russian oligarchs. Naturally, he is also a member of parliament and the shadow leader of the Labor Ukraine faction with 42 members of parliament.

In the last two years, the rival Donetsk group has emerged as the strongest, richest and most feared of the three dominant clans. Its leader is Rinat Akhmetov, a young, innocent-looking Tatar and a practicing Muslim. His deputy is Viktor Yanukovych, who was governor of the Donetsk region from 1997–02. Donetsk politics and business have been particularly bloody: two previous Donetsk leaders were murdered separately in 1996. The Donetsk clan is a multifaceted regional conglomerate focusing on coal industry subsidies and

is represented by the forty-member "Regions" faction in parliament. So while Ukrainian democracy as a whole is frail, Donetsk has none at all.²

Mobilization of Opposition

THANKS TO the four-month Ukrainian "spring" that Yushchenko, Timoshenko and their allies brought about, the oligarchic clans are being challenged by a mobilizing political opposition and a rising civil society. Ukrainian society has been liberated and strengthened by privatization and economic liberalization. Events are being driven by a *mélange* of scandal, government repression and popular protests. Political tensions are high.

The strength of the opposition is further bolstered by Kuchma's weakness. In November 2000, Socialist leader Oleksandr Moroz presented tapes made by one of the President's bodyguards indicating that Kuchma had requested his Minister of the Interior to do away with the independent journalist Hryhory Gongadze, who had been murdered earlier in September. Three hundred hours of taped conversations with Kuchma and his collaborators documented the systematic repression of his regime. Those immediately responsible for illegal violence, the ministers of Interior and Security, were ousted, but Kuchma deployed his great survival skills to weather the political crisis. Yet, with his popularity rating, he is a fatally wounded lame duck.

The strength of the opposition is best measured by the March 2002 parliamentary elections. Although flawed, the campaign was intense and very costly, leading to important changes. First, the opposition won a 70 percent majority of the popular vote in the proportional part of the election. Second, the moderate Right unified in a new party, Our Ukraine, which officially received 23.5 percent of the votes cast (and probably more when one

accounts for vote-rigging). Third, Our Ukraine's leader, Viktor Yushchenko, surged as the outstanding favorite in the upcoming presidential elections. Fourth, the communists' share of the vote fell from 25 percent to 20 percent, and their share of the seats dwindled from 30 percent to 14 percent, relegating the communist threat to history's dust bin. As a result, the non-oligarchic moderate Right dominates the opposition, and Yushchenko remains twice as popular as the troglodytic communist leader, Petro Symonenko, and four times more popular than the top oligarchs.

Two other opposition parties entered parliament as well, namely Moroz's Socialist Party and Yulia Timoshenko's small center-right bloc, with about twenty deputies each. (The number varies because of frequent defections and vote purchases.) Currently, the four opposition parties have 204 seats in parliament and the nine oligarchic party factions about 220, while some 25 independent deputies hold the balance. In effect, the parliament is hung, and, having secured only a minority of its seats in the proportional party-list elections, the oligarchic regime and its government are perceived as illegitimate.

The Regime Strikes Back

NEITHER KUCHMA nor the oligarchs will give up without a fight. Kuchma's first reaction to his miserable election

²The parliament contains six more oligarchic factions, each with 15–20 deputies. In the March 31, 2002 parliamentary elections, all of the oligarchic parties obtained only one-quarter of the votes cast in the proportional part of the elections. Even so, they got about half the seats in parliament because that many seats are distributed through majority votes in single-mandate constituencies, in which vote-rigging is rampant. (Of the 450 seats in parliament, 225 are assigned by proportional voting and 225 by single-mandate elections.)

results was to appoint a major oligarch, Viktor Medvedchuk, as his chief of staff. Medvedchuk focused on two tasks. One was to persuade businessmen in parliament to join the oligarchs. Since most of these businessmen are multi-millionaires, they are not easily bribed, so the regime uses repression instead. Most major businessmen in the opposition have endured raids by the tax police and arrests of their top managers. One after another, they have given in, but the hold-outs have become so infuriated that they now form the backbone of the opposition.

Medvedchuk's second task is trying to get the already subdued media completely under heel. The leading oligarchs own most media outlets, and they have degraded their television channels and newspapers to tabloid status. Disobedient independent newspapers are sometimes sued for libel and issued prohibitive fines, forcing them into bankruptcy. The government admits that the State Tax Administration inspected no less than 260 media outlets in the last year, but merely added insult to injury by complaining about their poor tax morals. In the old Soviet vein, Medvedchuk even issues compulsory instructions to the media about what to report. And last but not least are the mysterious deaths of six journalists in 2002, a sign of a campaign of intimidation. Ukrainian journalists have organized protest actions and set up a union of hundreds of independent journalists in defiance of the censorship and intimidation. Nevertheless, most newspapers are so miserable that few Ukrainians read them, rendering them ineffective as instruments of influencing public opinion.

The increased repression has compelled the very disparate opposition factions to unite and protest. On September 16, 2002, two years after Gongadze's disappearance and murder, the united opposition held a major demonstration in Kiev, gathering roughly 50–60,000 people—huge numbers for a political protest in

Ukraine. Public respect for the semi-authoritarian regime is ebbing, and each week there are significant demonstrations. Their organizers vary, but their common battlecry is "Down with Kuchma!"

The domestic scandals have had international repercussions as well. Ukraine has not gone as far as Belarus in international isolation and trafficking with rogue states, but the tendencies are apparent. In September 2002, the United States confirmed as authentic a recording of Kuchma ordering the sale of the Kolchuga aircraft-tracking radar to Iraq, prompting the West to distance itself even further from Kuchma. The Ukrainian President was thus embarrassingly rebuked in his attempts to approach both the European Union and NATO, and it was only by gatecrashing that he attended the NATO summit in Prague in November 2002.

Yet Kuchma is a dogged fighter who thrives on being underestimated. Developments in the wake of the Iraq war demonstrate this. President Kuchma cleverly seized on the issue as a means of improving his poor relations with the United States. In advance of the war, the oligarchic parliamentarians voted overwhelmingly to send a battalion of some 500 men for the biological and chemical defense of Kuwait.³ Encouraged by this success, Kuchma went a step further this summer and committed 1,800 peacekeeping soldiers to the Polish-led division in Iraq, making Ukraine the fourth biggest contributor of allied forces in Iraq and thus further earning kudos from the Bush Administration as a member of the coalition of the willing.

Last fall, the big political question was whether Kuchma would once again take his cues from recent Russian political his-

³Our Ukraine split its votes, as it did not want to be outdone in pro-Western policy by the oligarchs (while public opinion was strongly against the war).

tory. Would he abandon his old game of playing the oligarchs against one another and “pull a Putin” by selecting an obscure but popular prime minister, who could then be elected president and provide Kuchma with the legal immunity he so badly needs after his retirement?

The test did occur, when Kuchma deemed his government of comparatively decent civil servants as ineffective and dismissed them. His choice as prime minister was Viktor Yanukovich, Donetsk’s leading politician. Even Yanukovich’s *official* biography admits that he has been sentenced to jail twice for violent crimes. Evidently, Kuchma had not opted for a crown prince but a counterweight to Medvedchuk, who continues in his role as chief of staff. True to his Machiavellian talents, Kuchma opted for maximal strife among his ministers. He did not leave Yanukovich in charge of the government but appointed a government reminiscent of a rogues’ gallery, with leading representatives from all major oligarchic groups maintaining his balancing act.

Contrary to first appearances, this government implies several qualitative improvements. For the first time, the political heavyweights—the oligarchs—are no longer “powers behind the throne” but holders of actual public government positions. Unlike the civil servants they replaced, these ministers cannot evade their responsibility. The new cabinet is also the first political coalition representing all the parties in the parliamentary majority. The formation of this government might be seen as Ukraine’s transition from presidential rule to a parliamentary system, as Kuchma’s excesses appear to have discredited strong presidential powers for good. Such constitutional changes dominate Ukraine’s political discourse. In the same way, the oligarchs discredited single-mandate constituencies in the last election, prompting a transition to proportional elections.

The new Ukrainian government’s

combination of strong ministers and a near parliamentary majority has given it the opportunity to pass important and controversial legislation, and it has done so to a far greater extent than expected in spite of vicious infighting in the government. Two reform endeavors have been particularly noteworthy.

First, Finance Minister Mykola Azarov, with his roots in Donetsk, has insisted on carrying out and radicalizing the tax reform that has been prepared for years. Virtually unnoticed, Ukraine has abolished its progressive personal income tax (with a maximum tax rate of 40 percent) and adopted a 13 percent flat tax, following the Russian example, and the corporate profit tax has also been slashed. Second, Economy Minister Valeriy Khoroshkovsky, a wealthy young businessman, has aggressively pursued Ukraine’s entry into the WTO and transformed this long-lingering issue into a national top priority. Aside from these reforms, the Ukrainian parliament has adopted one major legal code after another since 2000. Against expectations, the new government has adopted a full-fledged pension reform, with private savings forming a substantial part of the plan. Yet, facing a poor harvest caused by natural calamities, this government has attempted to re-regulate agriculture.

This reform work has been matched by new economic growth. Ukraine looks set to achieve growth on the order of 6 percent this year. Much of the growth comes from the restructuring of the old heavy metallurgical and machine-building companies by new private owners but also from new companies in light industry, food processing and trade. The Dnepropetrovsk group can no longer be described as an oligarchic group; it has been transformed into a bourgeoisie with many big businessmen who have become mutually independent economically but cooperate in various ways, especially in politics. The same process is at work in

Donetsk. Ownership is being separated, transforming a large number of big businessmen in the oligarchic clans into independent owners. According to surveys by the European Bank for Reconstruction and Development, corruption has declined by 30 percent over the last four years. The full transformation of the Ukrainian oligarchic system into a normal bourgeoisie may be in the works, but it is still too soon to tell.

Clearly, Ukraine is approaching a critical moment. Presidential elections are scheduled for November 2004. Yushchenko is the obvious opposition candidate, though the opposition will not unite behind him. No single oligarch enjoys a national popularity rating above 7 percent, rendering them virtually unelectable in a democratic national election. But they seem to think they can buy anything, just as they bought their seats in parliament, and one should never entirely rule out the kind of influence money can buy.

So the oligarchs may act in unison on the question of presidential elections. At present, their main candidate is Prime Minister Yanukovich. Another plausible popular candidate is Serhyi Tyhypko, a successful private banker from Dnepropetrovsk, the former Deputy Prime Minister, the leader of Labor Ukraine in parliament and the Chairman of the National Bank of Ukraine since late 2002.

What To Do About Ukraine

IN PRINCIPLE, it is obvious what the West should do about Ukraine: integrate it with the West. Ukraine is too big and geopolitically important to be ignored. Yet the West must also respond to the authoritarianism, repression and sheer lawlessness of the regime. The West should cooperate with the broader Ukrainian society, while avoiding particular politicians too tainted by repression or criminal activity. What

should be done is thus clear. But how to do it, striking the right balance between carrot and stick, is not.

Diverse parts of the Ukrainian opposition are advising the West to follow diametrically opposed policies, but an amalgam of both positions makes more sense than either route alone. Timoshenko and Moroz, who hope the regime will crumble soon, call for the West to levy maximal sanctions. Yushchenko and Our Ukraine, by contrast, are afraid of their country being driven into isolation or to the embrace of Russia if Western policy relies too strongly on the stick.

Given Ukraine's size and central location, one would expect the country to attract great international interest. In fact, however, only three international players worth mentioning are concerned about Ukraine: Russia, the European Union (EU) and the United States.

RUSSIA

Ukraine suffers from a little-brother complex in relation to Russia, which Russians are prone to aggravate at both a personal and an official level. Nevertheless, Ukraine has quite successfully liberated itself from Russia and moved toward more mutually beneficial relations (though some problems of nontransparency still exist). Since 1991, Ukraine has reduced its trade dependence on Russia, which once accounted for most of its trade but now represents about one-quarter.

Yet Russia appears to be the main beneficiary of the last years of turmoil in Ukraine. During Yushchenko's privatizing reforms, several big Russian corporations bought large Ukrainian enterprises: for instance, four big oil refineries. The Russian purchasers are private companies, and their acquisitions make perfect business sense, but many Ukrainians are worried by the significant expansion of Russian business in Ukraine. The main problem, however, as Yushchenko empha-

sizes, is the business climate in Ukraine. He welcomes private Russian business investments but suggests that they should take place in a transparent way and face free competition with investment proposals from other nations. Several regional power utilities were privatized in such a fashion, two of which the American company AES bought.

Ever since President Kuchma became a pariah in the West, President Putin has pampered him with nearly monthly meetings. Ukraine has had ambiguous feelings about the post-Soviet Commonwealth of Independent States (CIS), but Putin cleverly won Kuchma the position of Chairman of the CIS, strengthening both the CIS and Kuchma's attachment to Putin. To boost Kuchma and Ukraine's business links with Russia, Putin has also initiated negotiations on a new free trade agreement between Russia, Ukraine, Belarus and Kazakhstan. Russia's door is always open. Yet, in the end, Ukraine is likely to decline this offer, giving preference to an early accession to the WTO.

The most ominous Russian interference occurred during the parliamentary elections in March 2002. An army of Russian pollsters descended on Ukraine, well paid by Ukrainian oligarchs, and President Putin and his staff intervened heavily in favor of the oligarchic parties and the communists, which were perceived as pro-Russian. Many parliamentarians from different political camps had their campaigns financed by Russian businessmen. Yushchenko, who is seen as a Ukrainian nationalist, has faced up to this reality and worked hard on his relations with Russia, having won a private audience with President Putin.

EUROPE

In contrast to Russia, the EU is popular but seen as ineffective. Nonetheless, not only Our Ukraine, but also the current regime, claims to be pursuing the "European choice." In spring 1996,

President Kuchma declared that Ukraine wanted to become a member of the EU, but the EU responded with embarrassed silence. EU commissioners revel in abusing the nation in public, but it is high time for the EU to get serious about Ukraine.

At present, the EU has a rather meaningless "Partnership and Cooperation Agreement" with Ukraine and suggests that Ukraine join its Common European Economic Area. While this may sound nice, it means that Ukraine must commit itself to adopt a bevy of EU legislation, most of it useless or harmful regulations, without having any influence on the process of gaining clear rewards for doing so.

Meanwhile Ukraine is suffering badly from EU protectionism. Only about 20 percent of Ukraine's exports are directed to the EU, while it ought to be about two-thirds, given the proximity and size of the EU market. The explanation is that three-quarters of Ukraine's exports are so-called sensitive products—notably steel, textiles, food and chemicals—that are very difficult to export to the EU because of protectionist tariffs and regulations. The EU-Ukraine discussion needs to become much more concrete, and it should focus on the adoption of a substantial free trade agreement, provided Ukraine first join the WTO. Such a strategy would put the onus on the EU as well, rather than on Ukraine alone.

THE UNITED STATES

In spite of the greater geographical distance, the United States has been much more active in Ukraine than the EU. The United States first focused on nuclear disarmament and, once that was successfully concluded, moved on to other military and economic issues. Under the Clinton Administration, a Gore-Kuchma Commission was established for closer economic cooperation, and Ukraine became the third biggest recipient of U.S. foreign assistance in the

late-1990s. Neither economic reforms nor cooperation, however, led to the desired results, and the administration scaled back its engagement after 1998 in the face of corruption scandals and poor economic performance.

The Bush Administration's first two years gave rise to a policy vacuum with regard to Ukraine. The Clinton policy appeared to have failed, while no alternative was apparent. Furthermore, Ukraine was not seen as a useful counterweight to Russia. At the end of 2002, however, the Bush Administration revised its stance. *The new U.S. policy centers on engagement of Ukrainian society and the economy while simultaneously cold-shouldering Kuchma.* Considering that President Kuchma is suspected of serious crimes, the natural choice is to isolate him personally while maintaining normal contacts with the country, as was done to Austria's President Kurt Waldheim.

More, however, can be done to strengthen Ukraine's rising civil society. Independent media exists, such as Kiev's weekly *Zerkalo nedeli* and the Internet newspaper *Ukrainskaya pravda*, and it can be supported with private NGO aid. All kinds of exchanges of people should be encouraged and financed, and the United States should assist in educating a new Ukrainian elite both in the West and in Ukraine. A major stumbling-block is U.S. visa policy, which makes it far more difficult for Ukrainians to get a visa to the United States than to Europe.

The recovering Ukrainian economy offers the greatest opportunities for integration with the West. The first step should be to recognize Ukraine as the market economy it actually is. The U.S. steel lobby has opposed this because steel accounts for no less than 40 percent of Ukraine's total exports and "non-market economies" are defenseless in antidumping actions. Second, the United States should free Ukraine from the obsolete

Jackson-Vanik Amendment to the Trade Law of 1974, which actually aimed to sanction the Soviet Union for restricting Jewish emigration.

More substantially, the United States should work for Ukraine's early accession to the WTO. Though Ukraine applied as early as 1993, few Ukrainians have understood the WTO or its significance, and so the necessary political will has been missing. Issues such as intellectual property rights have complicated matters, and Ukraine has recently been blacklisted by the United States for having insufficient controls against money laundering (though better legislation in Ukraine promises to ease this problem). Still, Ukraine is a substantially open economy that should easily adjust to WTO rules. WTO membership, however, must not be seen merely as a matter of trade policy. Ukraine's accession would also set a substantial reform agenda for the country, reinforcing both liberalization and the rule of law and serving to integrate Ukraine into the Western world.

THE CURRENT Ukrainian political crisis actually represents an opportunity. If the West is reasonably open, isolationism or regression will lose all appeal.

Arguably, Ukraine is the last transition country, in the sense that it is not yet clear what this country will become. The achievements that are most secure are national integrity and the market economy, while three major open issues are the choice between democracy and authoritarianism, security policy and trade policy.

The most important question is undoubtedly the fate of democracy. If the next presidential elections are carried out in a timely and reasonable fashion, democracy may be secured. Such a development would have tremendous impact in the whole of the former Soviet Union,

which has experienced a steady slide toward authoritarian rule in recent years. Unfortunately, the Ukrainian government has still refused to let even the International Republican Institute and the National Democratic Institute register their offices in Ukraine.

For the West, trade policy toward Ukraine appears most controversial. The country is a major exporter of sensitive goods, such as steel and grain which encounter fierce protectionism in both the EU and the United States. However, if Ukrainian exports continue to be diverted to dubious Third World countries, Ukraine's outlook is likely to be formed by those countries. Both the EU and the United States should accelerate Ukraine's accession to the WTO, an action that should be followed by substantial bilateral free trade agreements. The main responsibility will rest with the United States, because the EU appears absorbed by the adoption of its own constitution, but hopefully it can make some positive contribution.

Such a policy should not be seen as

being in opposition to policy toward Russia. Russia's real interest lies in a stable and flourishing Ukraine. Closer cooperation between Ukraine and NATO should also correspond to future NATO cooperation with Russia. Russia and Ukraine cannot solve their severe mutual trade problems until both countries have joined the WTO, establishing multiple standards and an effective arbitration system. In short, Ukraine must be seen not as a zero-sum battlefield between Washington and Moscow but as a way of developing a real U.S. partnership with both Russia and Ukraine.

Success in Ukraine expands the post-communist zone of freedom and prosperity, to employ the Bush Administration's terminology. Failure, on the other hand, would trap Ukraine in a downward spiral, negating any progress made toward political and economic reform. Russia, Europe and the United States cannot afford to have a failed state in Ukraine. The cause of peace and stability in both the Euro-Atlantic and Eurasian zones rests on a Ukraine capable of surmounting its present crises. □

A Poet's Patriotism

. . . Men stand and trade their mutual chains
And barter truth for filthy gains,
Committing shame against the Lord
By harnessing for black reward
People in yokes and sowing evil
In fields commissioned by the Devil...
And what will sprout? You soon will see
What kind of harvest there will be!
Come to your senses, ruthless ones,
O stupid children, Folly's sons!
And bring that peaceful paradise,
Your own Ukraine, before your eyes . . .

—Taras Shevchenko (1814–61)
“My Friendly Epistle”

How Arabs Fight Islamism

Marshall J. Breger

IF THERE IS one foreign leader whose views were validated by the painful events of September 11, 2001, it is Tunisia's President Zine El Abidine Ben Ali.¹ For years he has conducted a no-holds-barred battle against Islamism in Tunisia. And unlike in Algeria, Tunisia's neighbor to the east, Ben Ali has largely won.

One price of the extirpation of Islamic militants in Tunisia prior to September 11 has been an incessant barrage of foreign (often French) press criticism for various human rights violations. Watchdog NGOs like Human Rights Watch piled it on as well. While he kept up the heat at home, Ben Ali often found that Islamist exile leaders had been given a pass, finding comfortable perches in London or Frankfurt. Ben Ali chided Western countries as early as 1994 for "serving as rear bases for fundamentalist terrorists", pointing to *laissez faire* attitudes toward the political activities (and worse) of Islamic exiles in London, Frankfurt and Paris.

September 11 swiftly softened the public criticism. French Foreign Minister Hubert Vedrine was dispatched to Tunis soon after September 11 to express solidarity with Tunisia's efforts. Shortly

thereafter, French President Jacques Chirac visited to praise Ben Ali's long-term struggle against terrorism and Islamic fundamentalism, underscoring that Tunisia's position of "refusing religious intolerance and fundamentalism is completely exemplary." In November 2001, the French magazine *L'Express* repented its targeting of human rights violations in Tunisia, pointing out that "democracy is not built in a single day."² In the United States, Assistant Secretary of State for Near Eastern Affairs William Burns spoke of Tunisia's "record of moderation and tolerance in the region."

The Tunisian approach to combating terrorism has taken three forms. First, the country has refused to cede ground on Islamic theology to fundamentalist clerics. Second, since 1990 the country has conducted a "war" against Islamic fundamentalism, an approach that America only began after September 11. When it comes to the security aspects of fighting Islamic fundamentalism, the Tunisians, to borrow an Algerian term, are *éradicateurs*. Third,

¹Ben Ali came to power in 1987 in a bloodless coup known as "The Change." It was directed against the government of Habib Bourguiba, the leader who had achieved Tunisia's independence in 1956 but who had grown increasingly erratic in his later years.

²"*Ben Ali contre Bin Laden*", *L'Express*, November 8, 2001.

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Tunisia has understood that economic development is vital to the task of drying the pools of fundamentalist support in the country. And it has remembered a vital corollary as well: for the sake of social stability, attention must be paid to the social well-being of those temporarily left behind by economic rationalization.

Cooperation of Church and State

TUNISIA SEES itself as a state of Muslims, but not an Islamic state.³ At the same time Tunisia offers its own vision of Islam—one based on strict limits on the public role of religion and a strong focus on tolerance as part of Islam itself. While the constitution describes the country as a predominantly Muslim nation, this empirical fact of demography does not lead to the conclusion that Tunisia is an Islamic state.

True, Tunisia does not follow a Western model of strict separation of church and state. Habib Bourguiba, the country's first president, dropped state support for Islamic seminaries and institutions. After his ascension to power in 1987, Ben Ali tempered this course somewhat, giving more prominence to the rituals of faith. Thus, the call to prayer could once again be heard on state-run radio and television. Furthermore, while in Tunis some years ago during the Prophet's birthday, I discovered that the entire cabinet was expected to join President Ben Ali at Zeitouna, the country's main mosque.

Tunisia's divergence from a model of strict secularity is designed to promote a form of Islam consistent with tolerance and respect for religious difference. Jalloul Jerabi, Minister of Religious Affairs and former head of the Tunis Zeitouna University (its religious university), has suggested that the traditional rule requiring the reconquest of *dar al-Islam* (lands of Islam) lost to the *dar al-*

barb (lands of darkness) is no longer applicable. This rule, he told me over lunch in a Tunis Kosher restaurant, was applicable in the 7th century, when Islam was a struggling religion, but not today, when it is a growing religion of over one billion adherents. Zeitouna, in the words of its President Muhammad Toumi, stresses the Quran's "125 verses that insist on religious freedom and that ask Muslims to respect others." Thus, Tunisia rejects the view of Islam as a religion that ineluctably captures all of a society's social and political space, a principle further reflected in its ban on Islamic parties.

Because graduates of Zeitouna staff the state's Islamic institutions, the faithful of Tunisia hear a very different message at Friday prayers than their co-religionists in Egypt, Saudi Arabia or East Jerusalem. So do secondary school students in religious classes taught by Zeitouna graduates. As Mohammad Charfi (himself a critic of Ben Ali) has underscored,

Religious matters, programs and textbooks emphasize the thinking of the scholars influenced by the best of our late-medieval thinkers, like Averroes and Avicenna. Such writers have developed new readings of the Quran and given Islam a content that allows for discussion of sexual equality, human rights, and the development of democracy.

These subjects, as well as modern science, are all taught as part of—not in contrast to—the values of an enlightened Islam.

This past November, Ben Ali announced creation of an "International Prize for Islamic Studies" in order to

³Tunisia is a country rich with political heritage.

While nominally under Ottoman suzerainty in 1861, it produced the Arab world's first written constitution. This document followed on the 1857 *abd al-aman* (Charter of Faith), which provided legal protections to the country's non-Muslims.

enrich interpretive (*ijtihad*) thinking that believes in dialogue and openness and rejects exclusion and fanaticism. This focus on Islamic values of tolerance may be not only Tunisia's most important weapon against Islamic fundamentalism, but also its greatest contribution to a Western counter-terrorism policy designed to win "hearts and minds."

Further evidence of Tunisia's efforts to influence Islam include its actions overriding *sharia* law in the matter of the status of women. When Tunisia gained its independence from France in 1956, the new republic's first major social reform was the Code of Personal Status, banning polygamy and establishing basic equality. Most recently, a 1998 presidential decree created a national fund to protect the rights of divorced women whose husbands refuse to pay alimony. Women are fully integrated into the workforce and compose 52 percent of students enrolled in university. In terms of women's rights, Tunisia is a rare phenomenon in the Arab world.

Les Eradicateurs

THE REJECTION of Islamic fundamentalism is total. President Ben Ali first reached out to the Islamists directly after coming to power in 1987, but after Rachid Ghannouchi's Al-Nahda (Renaissance) Islamist party turned to terrorism—placing bombs in tourist hotels in the late 1980s, attacking the ruling party office in the Tunis suburb of Bab Souika in the early 1990s and conspiring during that time in an Islamist coup—Ben Ali cracked down. Since then, Tunisia has been unwavering in its approach toward Islamists, outlawing its institutions and jailing its followers (such as they are).

In the late 1990s, many foreign analysts felt that the Al-Nahda threat had been stanchied. Indeed, some, like Professor John Entalis of Fordham, have

called Al-Nahda a "mainstream group" (together with the Muslim Brotherhood in Jordan and in Egypt!) and labeled its exiled leader Rachid Ghannouchi "a moderate voice." This is the same Ghannouchi who signed a 2002 call "to end any discourse with Israel" and described Operation Iraqi Freedom as "a war against Islam", arguing that "struggling against this war is a compulsory duty for every Muslim."

Still, Tunisia did not wait until September 11 to strike hard against Islamic terrorism. Between 600 and 1,000 Islamists are currently imprisoned for extended terms. The Tunisian state has used military courts to give prison terms to 34 Tunisians found guilty of recruiting for Al-Qaeda. In November 2002, Muhammad Saidani received a twenty-year jail sentence for leading an Islamist cell in Italy. Not surprisingly, Amnesty International has complained about the use of military courts to levy these and other harsh penalties.

Recent years have witnessed an increasing concern over joint activity between Al-Nahda and the secular Left. A London satellite television station that broadcasts to Tunisia provided these strange bedfellows airtime to attack the regime. And for a time, Al-Nahda and Mouvement des Démocrates Socialistes (MDS) representatives (one of the seven legal opposition parties) joined to create a "demonstrative front" against Ben Ali.

The April 11, 2002 bombing deaths of 21 people at the El-Gribba synagogue in Djerba makes clear that the danger of Islamism in Tunisia has not dissipated. At first, the government claimed the explosion, caused by a gas truck driving directly into the synagogue, was an accident. But after a reality check, the Ben Ali government moved with great dispatch. German investigators (many of the dead were German tourists) were invited to cooperate. Further, Ben Ali moved to shake up his anti-terror apparatus, removing from office

both the interior minister and Djerba's police chief. The Tunisians will not brook failure in the fight against terrorism.

Economic Growth

IN CONTRAST to most Arab states, you cannot visit the cities of Tunisia (big cities at least) and not be aware of its economic progress. New skyscrapers, bustling stores and privately-owned automobiles abound. Objective statistics also tell the tale. GDP growth reached 4.3 percent in 2002 and is forecast at 5.89 percent in 2004 (world recession and tourist drought notwithstanding). Inflation has stabilized at under 3 percent. Only 4.2 percent of the population falls below the poverty line (the number was almost one third in the 1960s). Tunisia's per capita GDP already equals that of Eastern European countries like Bulgaria or Romania.

The World Economic Forum recently named Tunisia the most competitive country in Africa. The Global Corruption Report for 2001 found Tunisia to be not only the least corrupt nation in North Africa (a dubious distinction, to be sure) but also the third least corrupt state in Africa as a whole. Foreign investment, around \$400 million in 1997, topped off at \$1 billion in 2000 before falling back to \$700 million in 2001.

Nor has human development been ignored in favor of GDP growth: 91 percent of the minor population is literate, and the rate of population growth has been held to 1.15 percent. (Contrast this number with Syria at 2.5 percent, Jordan at 2.9 percent and Morocco at 1.68 percent.) Over 80 percent of the population own their own homes. The life expectancy of 72.4 years is the highest in Africa. All citizens have government health insurance. About 6 percent of Tunisian GDP is allotted to education, 99 percent of children eligible for primary school attend and 75 percent of secondary school age

children are enrolled. Notwithstanding its Francophone past, English is compulsory in schools after age 13, and computer training is offered in most schools.

Still, the economic challenges are significant. Unemployment hovers around 15 percent and will stay so for the next three years. The tourist boom has collapsed, and the anemic world economy has increased pressures on the export economy. In particular, the textile sector, which comprised over 40 percent of the export economy in past years, has drastically suffered.

In 1998, Tunisia began to implement the Euro-Tunisian Association Agreement that was designed to drop all customs duties between Tunisia and the EU by 2010. Specifically, Tunisia is committed to a structural adjustment program, the so-called *mise à niveau*. This will require it to meet EU manufacturing and service industry quality standards and improve both the quality and competitiveness of Tunisian manufacturers. The EU agreement demands painful introspection by the Tunisian business and manufacturing community. One commentator has suggested that "the portion of industrial production threatened by the removal of import controls from the EU has been estimated at 60 percent."⁴ Still, Tunisia

⁴Phase 1 of the EU agreement from 1996–2001 allowed Tunisia to subsidize the restructuring process of manufacturing firms. This "loophole", the period of which can be extended by prior agreement between the two countries, fits Tunisia's *dirigiste* history, particularly its concern for social stability. Thus, the government has acted to contain the damage of bankruptcy (using a law that asserts that the survival of firms takes priority over debt repayment) and the unemployment that might ensue. While the government has continued the privatization process (26 firms were slated for sale in 2002), it has done so cautiously, resisting IMF pressure to speed up economic liberalization due to its continued sensitivity to the perceived danger of social unrest.

leads the pack of EU Mediterranean “partners” in meeting its structural adjustment benchmarks, notwithstanding the pressures such economic rationalization places on the economy.

Tunisia’s concern for social stability makes it acutely sensitive to the costs (and often real pain) of the “structural readjustment” so often required by economic modernization. A good example is the National Solidarity Fund. The 2626 Fund, as it is informally called, was created in 1992 to involve all members of society in the fight against poverty. The fund consists of voluntary (although strongly encouraged) contributions and a government stipend. The fund makes grants for infrastructure and employment projects in impoverished, usually rural areas. The success of the 2626 program led the UN to set up a World Solidarity Fund based on the Tunisian model.

Concern over structural unemployment led to the creation of the Solidarity Bank in 1997. Designed to promote entrepreneurship, the bank makes loans of up to 33,000 dirhams (with a specified grace period and subsidized interest rates) to those with a university diploma (US\$1 = D1.2825). It focuses on unemployed and underemployed university graduates, such as waiters with doctorates who might indulge in social unrest. The bank was funded by over 232,000 shareholders who paid in D18.5 million. The state added D11.5 million to bring bank capitalization to D30 million. From March 1998 to May 2001, the bank funded some 42,000 projects that generated almost 60,000 jobs. Thus, the Bank serves the twin purposes of reducing the costs of the EU economic rationalization campaign and lessening its potential to cause political instability.

Tunisia has also focused on supporting entrepreneurship among the “working poor.” Following the model of the Grameen Bank in Bangladesh, in October 1999 the Solidarity Bank introduced a

micro-credit program to assist entrepreneurs in rural development areas. The program makes loans of D1,000 at 5 percent interest with a repayment period of three years. By 2001, almost 9,000 such loans had been made. Only four loans had fully defaulted.

To further encourage entrepreneurship, Ben Ali recently announced a program to grant leaves of absence to civil service employees and managers who wish to start their own business in the country’s less-developed regions. During these one year (renewable) leaves, the government will pay half their salaries. The hope, of course, is that this “safety net” will encourage entrepreneurs to go out on their own.

A Long March Toward Democracy?

THE conventional wisdom is that Tunisians have been offered a Faustian bargain, whereby they thrive economically but abandon politics to the political class. This simplistic trade-off is unfair to the vast majority of Tunisians, who have not chosen lucre over liberty. Rather, the photos of fundamentalist carnage in next door Algeria have sensitized them to the threat of violent anarchy and the need to guard against it. They may not embrace the restrictions, but they accept them.

Tunisia is first and foremost a homogeneous society with little ethnic division (contrasted to the Berbers in Algeria and Morocco). It has a long tradition of relatively centralized, personal authority—be it by the Bey of Tunis or the French Resident-General. Further, it is a society with a high premium on stability and consensus, as its relatively bloodless independence reflects. And so it is that the ruling party, the Rassemblement Constitutionnel Démocratique (RCD), possesses the vast portion of the nation’s political energy. It has 2 million members and 7,800 branches nationwide and won 91.59 percent of the

vote in the October 1999 elections. One-party state or not, the RCD would likely win a fully fair and free election if held today. The seven legal opposition parties are anemic at best. If democracy is to take hold, it may be that the ruling authorities will have to force-feed the opposition.

Ben Ali has in fact done just that (confident that, for the foreseeable future at least, the opposition lacks both bark and bite). In July 2001, he announced an initiative to enlarge the pool of those eligible to run against him in the next presidential elections. And while the opposition holds 34 of the 182 seats in the Chamber of Deputies, these are all seats given to the opposition on a proportional basis, and it holds those seats only because Ben Ali passed a law that ensured the opposition parties at least 20 percent of the seats, no matter how few votes they actually received. The same is true for municipal councils. In Ben Ali's view, these actions "consecrate political pluralism."

These developments reflect Ben Ali's view that "the development of democracy is very much a matter of education and of progressing step by step." He fears that in societies without historical democratic roots, opening the floodgates of political discourse can easily lead to extremism and instability. While he encourages opposition, it is responsible or "loyal" opposition. The "hard" Left and Islamic perspectives are banned outright. Ben Ali views the legal opposition as part of the national consensus and meets with their leaders regularly to promote national unity. Nevertheless, the political space the legal opposition covets is securely held by the RCD.

The recent round of constitutional reforms adds considerably to the country's formal democratic structure. It creates a second parliamentary chamber, gives new prerogatives to the elected Constitutional Council and installs a two-round presidential electoral process in cases where no

candidate wins an absolute majority in the first round (as in the French system). It also requires periodic oral questioning of elected officials (as in the British parliament). In Tunisia, where the government has an overwhelming parliamentary majority, this becomes one of the few ways available to foster government accountability.

But these significant structural reforms have been overshadowed by the controversy surrounding the constitution's revised term limit provisions. Ben Ali would have bumped up against the three-term limit when his term ran out in 2004, but the very thought of succession-planning was a non-starter for the ruling party. (Indeed, many Tunisians may well have been frightened by the thought.) Thus, it came as no surprise when Ben Ali proposed a constitutional amendment abolishing such term limits. After further changes by parliament, the proposal raised the maximum age of presidential candidates to 75, thus allowing Ben Ali, at 74, to run for a fifth term in 2009. (In the resulting constitutional referendum, 99.52 percent of the electorate ratified the changes.) Ben Ali's popularity notwithstanding, the symbolism of the term limit waiver is undeniable. Thus, for Tunisian political institutions, the challenge of succession has been postponed but not resolved.

Political scientists have begun to realize that elections alone are not a sufficient definition of democracy. Democracy assumes a competitive electoral arena with multiple strong political parties. Opposition parties cannot be created *ex nihilo*; instead they must reflect the variety of political, geographical and class interests of the population. Tunisian elections do not yet include, in Joseph Schumpeter's words, "a competitive struggle for the people's vote." While Tunisia possesses the grammar of pluralist democracy, its oversized ruling party crowds out not only political competition but other elements of civil society. The problem of

how the party relates to the state and the state to the party is one of the most significant challenges facing Tunisia. It has been avoided rather than addressed.

The Challenge of Human Rights

JUST AS THE war on terrorism raises human rights issues, so does Tunisia's war on Islamic fundamentalism. The government has arrested hundreds of suspected Islamists, passed laws making it a crime to incite religious fanaticism and clamped down harshly on any suggestion of an association with Al-Nahda. At times this zeal has spilled over to members of outlawed secular groups like the Parti Communiste Ouvrier Tunisien (PCOT). It ought, therefore, to be no surprise that Tunisia is heavily criticized by human rights organizations for a variety of misdeeds—ranging from prison conditions to political prosecutions for defaming the government to refusal to allow political activists exit visas. These charges should not be minimized, though they are often overstated by NGOs. They certainly pale in comparison to the level of human rights violations by its neighbors to its east and west—let alone by the “axis of evil” states.

The government's response to these criticisms is to point to the concrete threat of fundamentalism. Sadok Chaabone, a former justice minister, has argued, “When we started, we had 1,000 people in the prisons. . . . But it's better than 100,000 dead, like in Algeria.” At the same time, the government has embraced the normative grammar of human rights. It has restructured cabinet portfolios to raise the profile of human rights concerns through a Ministry of Justice and Human Rights (now held by Bechir Takkari). Indeed, Tunisia even has its own human rights league (the Arab world's first): the Ligue Tunisienne des Droits de L'Homme (LTDH), which it continually pressures but steadfastly recognizes. In a recent Republic Day speech, the

President affirmed “the supremacy of the law”, underscoring that “the foundations of the republican system include the protection of the right to differ.”

At the same time, senior magistrate Mokhtar Yahyaoui—who was suspended without pay in July 2001 when he complained about the “total lack of independence” in government—was restored to office. A torture victim, Ali Mansouri won a court case against government officials and received \$210,000 in compensation. In May 2001, President Ben Ali pardoned Nejib Hosni, a legendary Tunisian lawyer and civil rights advocate. In January 2002, Mohammed Mouda, head of the opposition socialists, was conditionally released after a hunger strike and is back at the helm of MDS. Hamma Hammani, the leader of the barred PCOT, who was jailed after coming out of hiding last February, was recently released on health grounds. And in August 2002, former Prime Minister Muhammad Mzali returned from 15 years in exile to praise Tunisia's economic and social stability within the context of a movement toward democratic pluralism.

There is no doubt that the government would prefer to control the human rights debate. It tried to “stack” the membership of LTHD (presumably to influence its policies), and it has refused official recognition to a second, competing human rights group: the Civil Liberties League, which leaves its membership open to prosecution. Indeed, its efforts to ward off criticism have led to a unique and humorous moment in human rights advocacy: the battle of competing human rights websites. After a series of critical reports by Amnesty International, a pro-government website went online with the confusing address of www.amnesty-tunisia.org. Amnesty cried foul, charging that the government was creating a deceptive website. Tunisian officials claimed ignorance of the entire affair. The faux website was eventually moved to

www.rights-tunisia.org and is not currently operational. The bad blood between the government and the international human rights community has colored perceptions on all sides. And even when the government is responsive to human rights complaints, as when it set up a commission of inquiry on jail conditions, it gets little credit.

The big civil liberties issue up for grabs, however, is freedom of expression and freedom of the press in particular. State officials seem to take personal offense to attacks in the press and react harshly when criticized. Tunisia has found itself afoul of press freedom groups worldwide. To the government, this is largely the result of a vendetta by the left-wing French press, especially *Le Monde* and *L'Express*. Many in the government, however, have begun to appreciate the foolishness of barring foreign media who air negative news stories when more and more homes have satellite dishes. Besides Al-Jazeera in Dubai, Al Musta Killah, a London based cable network, has specific Tunisian-focused programming. Its weekly no-holds-barred talk show, *Le Grand Maghreb*, offers discussion with dissidents of various stripes.

In April 2001, the Tunisian parliament revised the country's press code, eliminating the charge of "defaming public order" and removing the possibility of prison sentences for falsely presenting advertising material as news items and other selected code violations. The period of suspension was shortened from six to three months. And in May 2001, the president spoke out on press freedom, calling on journalists to "write on any subject you choose. There are no taboos except what is prohibited by law and press ethics." The following year, however, Zouhair Yahyaoui, publisher of a webzine, was jailed for two years. His crime: "putting out false news." Another journalist, Hedi Yahmed, was similarly charged when he published a critical

report on the country's prisons. His case has not yet been adjudicated.

TUNISIA REMAINS a North Africa success story. One can point to its economic growth, political stability, integration of women into the workforce, successful war on terrorism and support for a moderate Islam as elements of that success. Still, its challenges in the coming decade are great. First is the continuing challenge of social stability, which it is far better positioned than its neighbors to achieve. Second is continued economic development, including the ultimate challenge of free trade with the EU. Here, too, Tunisia is progressing past its Maghreb neighbors and looks likely to meet its EU target of full free trade by 2010. Third is the continuing challenge of Islamic fundamentalism that is often propelled by regional developments.

Finally, there is the challenge of democracy and human rights. Ben Ali has staked his country's survival on a philosophy of gradualism, one in which economic and social stability provides the basis for what one of his closest advisors has called "the road to pluralism" and respect for law. Gradualists are inherently open to the criticism of not moving fast enough. If the language of democracy is not fortified by pluralistic politics, the hopes for a democratic *civitas* can easily atrophy. Further, there is a real danger that the very restrictions on democracy and freedoms designed to ensure stability can themselves create instability. By choosing a top-down, drawn out process of democratization, Tunisia may well find itself riding the proverbial tiger, forced to choose more authoritarian solutions to ensure stability because the democratic aspirations of the moderate center are being too slowly fulfilled. To paraphrase former Solicitor-General Archibald Cox: Once loosed, the idea of liberty is not easily cabined. □

Books



A People of Extraordinary Contradictions

John Lukacs

Paul Lendvai, *The Hungarians: A Thousand Years of Victory in Defeat*, translated by Ann Major (Princeton, NJ: Princeton University Press, 2003), 572 pp., \$29.95.

IT IS GOOD that Mr. Lendvai chose to entitle his book *The Hungarians* and not *Hungary*. Most of present-day Hungary's inhabitants are of course Hungarians, but that is a relatively recent condition. The ancient kingdom of Hungary (the geographical Carpathian basin) was never entirely filled up by Hungarians—the kingdom also included Slovaks, Romanians, Serbs, Croats, Rutherians, Germans, etc. That was one source for the many recurrent troubles of the Hungarian state. For a very long time that state and the Hungarian population were not coterminous. Lendvai's otherwise pithy introductory phrase, "a country of extraordinary contradictions" should instead read: a *people* of extraordinary contradictions. Were you to say to a Frenchman that you like France while you do not like Frenchmen, he would not

be pleased, but he would understand; if you were to tell him that you like Frenchmen but you do not like France, he would be speechless. On the other hand, were you to say to a Hungarian that you like Hungarians better than you like Hungary, he would understand, sadly, perhaps with a melancholy smile.

Most of Lendvai's book is a survey of one thousand years of Hungarian history, written by a well-read and often thoughtful journalist. It has a fair number of mistakes, most of them minor ones. One cannot separate, of course, a book from its author. Lendvai's main interest is that of the last hundred years, a history peopled by all kinds of good and bad, colorful but never drab, Hungarians. This has led him to give disproportionate space to all kinds of bizarre adventurers and mountebanks, each of them deserving a little book at least, but too much of them here. Besides this disproportion and besides the errors, the editing is wanting: many of the footnote references do not match the actual footnotes. (The translation by Ann Major is very good.)

The Hungarian state had an extraor-

dinary founder, St. Stephen (1001–38), who was both a great statesman and a saint. He could have chosen a geographically almost natural alliance and convergence with the Byzantine empire and the Eastern Church. Instead, St. Stephen chose Roman Christianity and a dependence on the Pope, a Hungary looking to the West. His main domestic problem was with a bitter, dark, cruel pagan remnant among his people whom he was forced to fight and defeat. For a thousand years this Hungarian dichotomy would reappear again and again. There is a pagan strain in the Hungarian national character—a savage tribal nationalism—that Lendvai does not quite comprehend. He is a fairly clear writer, but his occasional lapses of style suggest a certain want of understanding, as when he writes about Hungarians after 1920: “the historically well-known transformation of nationalism from an ideology of liberation to one of distraction.” “Distraction”, no. “Historically well-known transformation”, no. Hungarian nationalism is *sui generis*, and cannot be separated from the tug of war between East and West. Hungary was torn, and for a long time even partitioned, between East and West, most notably between the Turks and Austrians. At times it was forced to accept a dependence—usually only partial—on an Eastern Power when that condition was inevitable (for the last time, on Russia from 1945–89).

But the great and deep problem for Hungarians was, and remains: what kind of West? For a long time, and for a considerable number of Hungarians, the West was the Germanic West of Central Europe. For many of the best Hungarian minds, and for many of the patriotic nationalists too, the Germanic embrace could be stifling and disastrous. So, they looked not only beyond Vienna but beyond the Rhine. There exists a long history of Latin learning and of a

Latinate culture, especially in Western Hungary, and there is (or rather was) also an at least 150 year-old history of Hungarian Anglophilia. Unfortunately such Hungarian affections went unrequited. Except for a few popes, no statesman west of the Rhine paid any interest to Hungary and to its problems. Why should they? An independent Hungarian state did not exist for centuries; besides, it was far away.

Yet the number—and, more interestingly, the variety—of men and women of Hungarian origin who have made extraordinary careers in the West is endless; Paul Lendvai is unduly preoccupied with them. He dwells on the frequent *bon mot* among exiled Hungarians: “Everybody is a Hungarian” (more precisely: you can find a Hungarian almost everywhere in the world). *Ergo* the title and the contents of Lendvai’s last summing up chapter: “Everybody is Hungarian. Geniuses and Artists.” Well, yes, except for two caveats. His attribution of “genius” to some recent Hungarians with successful careers is sometimes too easy and broad. Also: at least some of these often uneasily denied that they were Hungarians but then resumed their self-identification as Hungarians when that had become chic. Yes, we (this reviewer is also Hungarian) are a people of extraordinary contradictions.

And of an extraordinary mixture or compound. Already St. Stephen knew that there were not enough ethnic Hungarians to people that near-perfect geographical unit, the Carpathian Basin. He admonished his son and his people to be hospitable to other tribes and nationalities, for “by fulfilling your duty in this way you will reach a state of happiness.” In the very long run this did not work—and not only because of the Hungarians’ assertion of sovereignty and superiority over their non-Hungarian inhabitants. Nationalism is a destructive element, which is something that the liberals of a century ago (*vide* Woodrow Wilson) failed to see.

THIS BROUGHT Lendvai, and brings this reviewer, to a not unimportant matter to which nevertheless he devotes possibly too much space. Yet attention it deserves, even now—perhaps especially now, since Hungary and France remain the only countries in Europe where a Jewish population amounts to more than one percent of the inhabitants, whence the occasional, but only occasional, appearance of anti-Semitism in both countries. Anti-Semitism of course existed, exists and will exist everywhere in the world, in different forms, some more deplorable and destructive than others. But the relationship of Hungarians and Jews had, and still has, some exceptional features. There is hardly any country in the world where the assimilation of Jews, including many intermarriages, was as widespread (and deep) as in Hungary. But the seeds of troubles were there, and after World War I this once so promising cohabitation (it was more than a coexistence) became deeply, at times tragically, damaged. Now, three or four generations later, disturbing symptoms still exist, but their frequency and their echoes may be diminishing, while the “Hungarianness” of Jewish Hungarians remains inexpugnable—it goes on and on.

A more important feature of the history of Hungary and of the Hungarians is

summed up in the insightful subtitle of Lendvai’s book: “A thousand years of victory in defeat.” Hungarians are not the best survivors (both the death rate and the suicide rate have been unusually high among them, the first of these through many centuries). Yet they, despite their inveterate pessimism, have a deep-seated appetite for life and a repugnance of death that slowly, imperceptibly grows and bears fruits above and beyond their worst national catastrophes. There are innumerable examples of this—oddly more in their national history than in their individual personal lives. One of them was the great Hungarian Rising of 1956, defeated and crushed by brute force. Yet there followed a gradual easing of tyranny and restrictions and eventually the end of a more and more merely nominally communist regime, an ending which was not only bloodless but peaceful. Since then Hungary’s fortunes have been rising: it will enter the EU in 2004. However, the number of Hungarians has been, alas, dwindling. So La Rochefoucauld’s great maxim may be applicable to Hungary (as well as to the United States): “It takes greater character to carry off good fortune than bad.” □

John Lukacs is a historian. His latest work is *Churchill: Visionary, Statesman, Historian* (Yale, 2002).

Letters to the Editor

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Davos Man Meets *Homo Balcanicus*

Gordon N. Bardos

Sumantra Bose, *Bosnia After Dayton: Nationalist Partition and International Intervention* (New York: Oxford University Press, 2002), 352 pp., \$35.

Roger D. Petersen, *Understanding Ethnic Violence: Fear, Hatred, and Resentment in Twentieth-Century Eastern Europe* (Cambridge: Cambridge University Press, 2002), 312 pp., \$25.

And when it is said to them, 'do not make mischief in the land', they say, 'we are but peacemakers.' Nay, of a surety they are the mischief makers, but they do not understand.

—*Quran*, 2:11–12

TO ANYONE following the Balkan tragedy of the past ten-plus years, the horror stories from Kosovo are well known. Hundreds of thousands of people driven from their homes. Countless murders and kidnappings. Scores of religious sites destroyed. Widespread, systematic ethnic discrimination in educational and judicial institutions. Patients in mental institutions routinely subjected to beatings and sexual assault. Paramilitary and organized crime groups rampaging across the countryside, persecuting ethnic minorities and destabilizing neighboring states....

Unfortunately, this is not the Kosovo of Slobodan Milosevic. It is the Kosovo of the North Atlantic Treaty Organization and the United Nations over the past four years. Moving south to Macedonia, the situation is little better. Relations between Macedonian Slavs and Albanians remain

tense since civil war between the two ethnic communities erupted in 2001—a conflict that began in no small part due to NATO's unwillingness to prevent extremists in Kosovo from exporting their violence into Macedonia, and the first time in history that a UN member-state was the victim of aggression launched from a UN protectorate. The ceasefire agreement sponsored by the international community to end the conflict, known as the Ohrid Accords, has since been repudiated by three of the five signatories to the document, and two of them have openly called for a partition of the country.

West of Kosovo, Montenegro remains divided between pro-independence forces and those who prefer to remain a part of the union with Serbia, and the tiny mountain republic itself is on the edge of total economic breakdown. Apart from some tourism on the Adriatic coast, much of the Montenegrin economy relies on organized criminal activity for its few signs of life. Some 40 percent of the vehicles in Montenegro are estimated to have been stolen in Western Europe, and the Montenegrin premier, long a favorite of official Washington, is currently under indictment in Italy for his alleged involvement in smuggling.

North of Montenegro, in Bosnia-Herzegovina, almost eight years into the Dayton peace process, few observers are satisfied with the progress made towards establishing a viable, self-sustaining state. Although the international community has done a laudable job in getting refugees and displaced persons back into their homes, the effort to find enough common ground amongst Bosniacs (Bosnian Muslims), Croats and Serbs to run the country on

their own, or to develop a sense of loyalty to their common state, has failed. The city of Mostar, for instance, remains as bitterly divided today as it was almost ten years ago when the conflict between Bosniacs and Croats ended. Classified sections of newspapers throughout Bosnia are full of advertisements by individuals of one ethnic group offering to trade property in areas in which they are in the ethnic minority for property in areas in which they would be in the majority. Much to the chagrin of international officials, nationalist parties again won in Bosnia's 2002 elections at both the statewide and entity levels. Not surprisingly, public opinion surveys show that a majority of the country's young people see no future for themselves at home and would like to emigrate.

Finally, in the heart of the Balkans, the post-Milosevic reform process in Serbia now runs the serious risk of being hijacked by a clique of erstwhile reformers who have joined forces with business tycoons and organized crime figures from the Milosevic era. The current government has refused to recognize decisions handed down by the Serbian constitutional court, has been engaged in significant degrees of intimidation of independent media and is mired in a number of corruption scandals. Hard currency has begun to hemorrhage illegally out of Serbia to offshore bank accounts: \$964 million in 2002 and \$522 million in just the first five months of 2003. All the while, the holders of power in Belgrade have learned that all they need to be is "a little better than Milosevic": Proclaim the right platitudes about Euro-Atlantic integration and regional cooperation, turn over a few Hague indictees, and U.S. and European officials will breezily overlook their attacks on democratic principles and procedures.

WHAT HAS gone wrong? Why have those areas in the Balkans that have seen the greatest levels of international involvement, investment and

intervention also remained the most unstable? Although one could argue that it was the original instability of these entities that forced the international community to intervene in them in the first place, the fact that so much time elapsed and so much money and energy expended have resulted in so little progress suggests a more serious and complex problem is at work.

Since some pundits and politicians are now hailing the Balkan interventions as successful models of nation- and state-building for Afghanistan, Iraq and beyond, insights into the problems of international engagement in the Balkans have considerable relevance in the Persian Gulf and Central Asia. Fortunately, enough time has elapsed for serious scholars to analyze what has gone wrong (and right) with the international community's Balkan interventions. Examples of these new studies include recent books by Sumantra Bose, a professor at the London School of Economics, on post-Dayton Bosnia-Herzegovina, and a more theoretical study of ethnic conflict in 20th-century Eastern Europe by Professor Roger D. Petersen of MIT. Fortunately, too, there is still time to learn from the mistakes committed in the Balkans.

And mistakes there have been aplenty—both in outsiders' conceptual (mis)understandings of what has been driving disintegration and violence in southeastern Europe over the past decade, and in the tactical policy responses to these problems. Although approaching these issues from different angles, both books shed light on fundamental questions that have bedeviled American and European policy goals in southeastern Europe over the past decade: Can, or should, we impose Western-style institutions (constitutions, elections, judicial systems and models of interethnic societal relations) on other states and peoples? How will these institutions function if the attempt is made? What happens when popularly-elected

institutions and politicians do not live up to the expectations of foreign bureaucrats? Can, or should, we impose the leaders we want on distant populations? Do outsiders have the political will and economic resources to see nation- and state-building projects through to successful conclusion?

Perhaps most important is the question of who can best design and carry out needed reforms in the region: the armies of international officials and experts, whom I dub “Davos Men”, following Samuel Huntington’s description of “Davos Culture”, which accurately describes the background of so many of the individuals overseeing Balkan transitions,¹ or “*Homo Balcanicus*”, the local politicians, bureaucrats, intellectuals, etc., who may be somewhat more parochial in their outlooks but are nevertheless more in tune with the needs and functioning of their own societies?

The basic outlines of Davos Man’s thinking and policies towards the problems of southeastern Europe over the past decade have been relatively clear. First, Davos Man has consistently believed that ethnic nationalism is a manipulative program of evil, corrupt politicians foisted upon masses that suffer from false consciousness and do not understand what are their own best interests. (This, in turn, makes one wonder whether transplanting Jeffersonian-style democracy in the region is even possible.) Richard Holbrooke, for instance, has claimed, “Yugoslavia’s tragedy . . . was the product of bad, even criminal, political leaders who encouraged ethnic confrontation for personal, political, and financial gain.”²

For *Homo Balcanicus*, on the other hand, nationalism and ethnic conflict are mass-based phenomena. As Petersen notes in his book, for many of the significant violent events in Eastern Europe that he has studied, “leadership is superfluous.” However, dealing with such mass-

based phenomena is much more complex than issuing a few war crimes indictments or gerry-mandering *ad hoc* coalitions of parties who curry favor with international officials.

The experience of the former international High Representative to Bosnia-Herzegovina, Wolfgang Petritsch, is instructive in this regard. In one of his farewell interviews, Petritsch claimed that his three-year tenure could be divided into two periods: the first 18 months during which he removed more than seventy popularly elected officials from office, and the second 18 months, in which “new political forces” came to power in Bosnia (with significant help from the international community). Unfortunately for Petritsch, six months after he left office, the “new political forces” he had placed so much faith in lost power to nationalist parties in Bosnia’s 2002 elections, leaving open the question of what, if anything, had been achieved in his three years of work.

Nationalism and ethnic conflict in the Balkans have proven to be mass-based phenomena, and Bose points out that democratization and state-building must be seen in the same light. This perception, however, contrasts with Davos Man’s repeated propensity to focus on personalities rather than process or principle. In the case of Bosnia, Bose rightly argues,

Bosnia’s future as a democratic country depends on institutions and institutionalization, not on particular individuals or political factions. . . . Individuals and cliques who are given to believe that they are the chosen favorites of powerful Western countries and international agencies tend to rapidly develop a sense of impunity, and degenerate habits of authoritarianism and corruption.

¹Samuel Huntington, *The Clash of Civilizations and the Remaking of World Order* (New York: Touchstone, 1996), pp. 57–8.

²Holbrooke, *To End a War* (New York: Random House, 1998), pp. 23–4.

Or worse. In Kosovo, human rights groups now decry a newly developed “culture of impunity” in which violence against ethnic minorities goes virtually unpunished. Such violence has recently ranged from revelations that patients in psychiatric hospitals in Kosovo have been the victims of systematic abuse—including rape and physical beatings, generally on an ethnically-motivated basis—to the August 13, 2003, shooting of a group of Serb children swimming in the Bistrica river near Pec (Peja), in which two were killed and five were wounded. As with hundreds of murders in Kosovo over the past four years, the perpetrators will never be found.

A second characteristic of Davos Man in the Balkans has been the belief that constitutional engineering and democratic elections can rebuild essentially failed states and foster harmonious interethnic relations. But on both counts the evidence from the past decade has been to the contrary. In his second chapter, Bose succinctly points to the failings of both the American-sponsored, stillborn Bosniac-Croat Federation of 1994, and to those of the Dayton Peace Accords themselves. More recent failures-in-the-making include Macedonia’s Ohrid Accords of August 2001, mentioned above, and the March 2002 union treaty for Serbia and Montenegro, largely drafted by EU officials—which, according to the former governor of Serbia’s National Bank, Mladjan Dinkic, does not solve a single problem in Serbian-Montenegrin relations, but has in fact created new ones.

A corollary to Davos Man’s belief in constitutional engineering has been the belief that elections in the ethnically divided Balkan statelets will bring democratic multiculturalists with pro-market orientations to power. The record over the past decade, however, shows that this has rarely happened. Moreover, the conditions under which newly-elected leaders

have to operate are far from conducive to achieving these goals quickly. As Roland Paris has argued,

Not only are [war-shattered states] expected to become democracies and market economies in the space of a few years—effectively completing a transformation that took several centuries in the oldest European states—but they must carry out this monumental task in the fragile political circumstances of states that are just in the process of emerging from civil war.³

As with Davos Man’s faith in constitutional engineering, the belief that elections will produce leaders supporting ethnic tolerance has repeatedly proven unfounded in the Balkans over the past decade. In fact, in many newly independent and democratizing states around the world, elections have often increased ethnic tensions and the potential for violence.⁴

Thankfully, this lesson is one Davos Man has recently begun to learn. Paddy Ashdown, the current international High Representative in Bosnia, now argues that the biggest failing of the international community in its post-conflict Balkans strategy has been to promote democratization without first establishing the rule of law. This, of course, has been the position of former Yugoslav President Vojislav Kostunica, who has consistently argued over the past several years that it is impossible to lay the foundations for a stable democratic political system and a market economy without first establishing the rule of law.⁵

³Paris, “Peacebuilding and the Limits of Liberal Internationalism”, *International Security* (Fall 1997), p. 78.

⁴See, for instance, Jack Snyder, *From Voting to Violence: Democratization and Ethnic Conflict* (New York: W.W. Norton, 2000).

⁵See Damjan de Krnjevic-Miskovic, “Serbia’s Prudent Revolution”, *Journal of Democracy* (July 2001), pp. 96–110.

Although there is now increasing agreement on the need to establish the rule of law before democratization takes place, a whole host of dilemmas (currently confronting American efforts in Iraq as well) must still be resolved as Davos Man attempts to administer and occupy far-flung entities around the world: Who should ultimately be responsible for deciding when conditions are right for elections? What authorities and responsibilities should international officials turn over to local politicians? Davos Man and *Homo Balcanicus* have had considerable disagreements over these issues in recent years, and echoes of these disagreements (Davos Man meets *Homo Arabus*?) can now be seen in Baghdad as the U.S. civilian administrator for Iraq, L. Paul Bremer III, agonizes over the merits of holding elections and turning over power to emerging Iraqi political forces.

Finally, Davos Man believes money can solve most of these problems—jump-start the economy by rebuilding roads, bridges and factories, pump money into the local economy by organizing a few donor's conferences, and the ensuing economic prosperity will reduce or eliminate ethnic conflicts. While all these efforts are of course important and laudable, this “unwarranted exaggeration of the influence of materialism upon human affairs”, as one scholar has noted, has led to “a propensity on the part of American statesman and scholars of the post-World War II era to assume that economic considerations represent the determining force in human affairs.”⁶

Leaving aside the question of whether economic considerations actually *do* represent the determining force in human affairs, we might rightly ask whether Davos Man has the money it takes to get the job done. In Bosnia, for instance, it has been estimated that the international community had spent anywhere between \$50–90 billion between 1992 and 1999 (by one estimate, the largest amount of

democratization assistance per capita ever spent in a single country⁷) in an effort to keep Bosnia-Herzegovina united and turn it into a viable state. Bose and others who have studied the functioning of Bosnia's institutions and interethnic relations in the country know that the job is far from completed. Unfortunately for Bosnia, Kosovo and the rest of the Balkans, international aid and attention is already being diverted to other more pressing crises in other parts of the world.

The conclusion to be drawn is that, being mass-based phenomena and therefore not particularly susceptible to economic solutions, nationalism, ethnic conflict and state-building cannot be manipulated in short order—certainly not in the one to two years of the average international official's secondment to the region, or even the three-to-four years between American presidential election cycles. Simply put, the time-frame with which *Homo Balcanicus* or *Homo Arabus* look at their countries and societies is quite different from that of Davos Man. As Anthony D. Smith has argued, nationalism

implies a deeper need transcending individuals, generations, and classes, a need for collective immortality through posterity, that will relativize and diminish the oblivion and futility of death. . . . For only in the chain of generations of those who share an historic and quasi-familial bond can individuals hope to achieve a sense of immortality in eras of purely terrestrial horizons.⁸

Compare Smith's views with a recent admission by Paddy Ashdown that “international impatience”—that is,

⁶Walker Connor, *Ethnonationalism: The Quest for Understanding* (Princeton, NJ: Princeton University Press, 1994), pp. 36–7.

⁷See Gerald Knaus & Felix Martin, “Travails of the European Raj”, *Journal of Democracy* (July 2003).

⁸Smith, “The Origins of Nations”, *Ethnic and Racial Studies* (July 1989), p. 362.

time—is one of his greatest enemies, and one begins to sense the almost meta-physical enormity of the challenges facing Davos Man in his efforts around the globe.

The conclusions Bose and Petersen draw are not encouraging for would-be state-builders who want to complete their jobs quickly and on the cheap. Rather, what emerges from these studies is the utter complexity, expense and length of time that must be expended in the attempt to impose or transplant American or Western European institutions, political cultures and models of social relations onto states and societies far less fortunate in their historical experiences—without any guarantee that the attempt will ultimately be successful. Petersen is fairly pessimistic about the ability of outsiders to deal with ethnic conflict around the world. As he notes, a major implication of his study is that “ethnic violence is very diffi-

cult to prevent.” Bose is rather more sanguine about the possibilities for state-building, but he warns that “a clearly defined *but relatively modest* set of goals may in the end leave the least divisive and most usable legacy for Bosnians themselves, in cooperation with other ex-Yugoslavs, to build on in the future” (emphasis added). Altogether, these are not encouraging findings when we contemplate the challenges facing our efforts in Afghanistan and Iraq. In a different context some eighty years ago, T. E. Lawrence warned, “Better to let them do it imperfectly than to do it perfectly yourself, for it is their country, their way, and your time is short.” Given our recent experiences with imperial overreach, Davos Man may soon begin to feel the same way. □

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Building on Sand?

Amatzia Baram

Joseph Braude, *The New Iraq: Rebuilding the Country for Its People, the Middle East, and the World* (New York: Basic Books, 2003), 288 pp., \$26.

IN THE months to come, hundreds of books on the “new Iraq” by experts and non-experts alike will be rushed to press. A notable addition to this growing list is one by Joseph Braude enti-

tled, of course, *The New Iraq*. Braude is ambitious, attempting to tell the story of the old Iraq while also making a series of recommendations about how to proceed in the new, post-Saddam Iraq. This is certainly a tall order, and Braude mostly rises to the challenge: providing many good insights and some sound ideas.

The book’s main deficiency, however, is its largely anecdotal and insufficiently systematic approach. This downside stems, in part, from the fact that the

author did not consult crucial secondary source material easily available in every large public library. This lack of a systematic approach leads to a number of mistakes and misperceptions that could have been avoided easily.¹ As a result, his policy recommendations, while well meaning and mostly sensible, are all too general and occasionally erroneous. Most troubling, Braude does not address major aspects of the damage done by Saddam's socio-political policies and their likely continuing influence over Iraq's future. These policies include the modern-day return to tribal ways and the old-new autonomy that it implies, as well as Saddam's problematic attempts at forging a strong Iraqi national identity.

Despite the perplexing opening sentence—"this book is not about Saddam Husayn [*sic*]"—the book is very much about Saddam Hussein, even though not exclusively so since it also endeavors to discuss aspects of Iraqi society and history that preceded the fallen dictator. Braude does describe Saddam's crimes, often in great detail, but he also understands that any serious policy recommendations for the new Iraq must rest on an understanding of what 35 years of Ba'athi rule did to Iraq.

Questions of National Identity

IN IRAQ TODAY, nationalism is the only political force that can possibly strengthen the ties between Sunni Arabs, Shi'a Arabs, Sunni Kurds and Christians; strengthen ties between traditionalists and secularists; and reaffirm the invisible barrier between Iraqi and Syrian Sunni Arabs or Iraqi and Iranian Shi'a. This is the only way to make Iraq less vulnerable to political intervention by expansionist neighbors.

Iraqi nationalism is a positive leftover of the decades of Ba'athi tyranny. The trouble here is that its Ba'athi taint may very well have corrupted the most impor-

tant component that could provide an Iraqi identity with any depth: the rich historical and cultural traditions deriving from thousands of years of civilization in Mesopotamia.

Saddam's hijacking of ancient Mesopotamia, and his politicization of the past more generally, was forced upon educators of all levels, party apparatchiks, journalists and writers. They, in their own turn, imposed it on their captive audiences. The most damaging aspect of this brainwashing campaign was the fact that it became inseparable from Saddam's personality cult. He was presented as the latter day incarnation of all the great Mesopotamian kings: the lawmakers, builders and warriors—even of the Sumero-Akkadian god of fertility and rebirth, Tammuz. While Ba'athi apparatchiks dutifully parroted their leader, it is not at all clear how the Mesopotamian-Iraqi identity has been perceived by the people. It may very well be that Saddam destroyed its potential as a unifying force

¹Space constraints do not allow me to demonstrate this fully. But consider the following. Braude claims that General 'Abd al-Karim Qasim (1958–63) "enabled women to inherit property", implying that women could not do so prior to his reforms. In fact, Islamic law permits women to inherit, but only half of the man's share. Qasim introduced a law that imposed *equal* inheritance rights. Qasim also never nationalized "major industries" or anything else, as Braude claims. Nationalization occurred under his successors, the Ba'ath party and 'Abd as-Salam Arif, mainly in 1964. Braude claims also that in February 1963 "a new military junta came to power" when in fact it was essentially a regime controlled by the Ba'ath party—and the Ba'ath party elite consisted mostly of civilians who were supported by the National Guard, a civilian militia. Further, Braude does not differentiate between Qasim's local Iraqi nationalism and the radical pan-Arabism of the Ba'ath party and General Arif who toppled him.

by linking it to himself.

Likewise, claiming that Iraq was the cradle of human civilization, Saddam linked Mesopotamia's legacy to a myth of the Iraqi people as supreme leaders of the pan-Arab movement. As his Revolutionary Command Council phrased it on the day Iraq invaded Kuwait, the Iraqis are "the pearl of the Arab crown." This aspect of Saddam's legacy is troubling, not only because of its potential for arrogance, but also because it ties the Iraqi people to the Arab nation in a way that makes both Kurds and Shi'a uneasy and exposes Iraqi politics to massive Arab intervention. Most Iraqis are, indeed, Arabs, and cultural ties with the Arab world are essential, but political Arabism (like political Islam) poses a serious threat to a democratic union of all Iraqis.

The nexus of Iraqi national identity and the efforts of intellectuals and politicians since 1921—and especially since 1968—to forge it is a pivotal theme of the story of Iraq. But it is missing from Braude's book. The author does discuss the disastrous effect of pan-Arabism in Iraq and other places, but he fails to deal with the complexities of Iraqi identity and its clashes or, occasionally, compatibilities with pan-Arabism and pan-Islamism. Indeed, one of the most pressing questions confronting the new Iraq is that of the content of Iraqi national identity. The legacy of Mesopotamia could serve to differentiate Iraq politically from the rest of the Arabs, as well as from Iran, thus establishing the necessary breathing space for the peoples of Iraq—something sorely needed to rebuild the country on a firm and non-threatening foundation.

Forging a New Iraqi Civil Society

ANY VISION for a "New Iraq" will face enormous implementation difficulties. Since 1968, the Ba'ath party sought to stifle every social cell and institution it could not fully control. No

such endeavor had ever been attempted in Iraq. The Ba'ath were largely successful, failing only to penetrate the family unit. They even managed to set the ideological tone in the madrassas and the Friday sermons.

Only in the Shi'a areas did an effective subversive culture develop. At home, with parents and relatives, a child could absorb a Shi'a identity separate from that offered by the regime. Even secular Shi'a would tell their children about the travails of the imams and their suffering at the hands of the Sunni rulers. Precisely because religious observance was regulated by a Sunni-dominated yet secular regime, they developed strong resistance both to secularism and to Sunni-dominated politics (expressed by the people as anti-Sunni bigotry). This anti-Sunni resentment explains in part why anti-American attacks have often occurred in Sunni rather than Shi'a areas. Most Shi'a are more worried about the return of a Sunni-dominated regime than they are about a foreign, "Christian" occupation. So far, practically all armed confrontations between Shi'a forces and Coalition troops have been the result of cultural misunderstandings or baseless rumors that the occupation forces were insulting Shi'i religious symbols.

Braude tends to gloss over these important developments. He observes that Sunni-Shi'i ecumenism is important for a more benign and tolerant society, but fails to take on the serious difficulties of such an attempt. History is not on the side of tolerance and ecumenism. Two Ba'ath-era illustrations stand out: first, Saddam's speeches, in which he tried to persuade Iraq's Shi'a to support him. Another, tellingly, is to be found in the writings and speeches of his nemesis, the most radical fundamentalist cleric in modern Iraqi history, Muhammad Baqir al-Sadr, who was executed by Saddam in 1980. Sadr called for Sunni-Shi'a cooperation to replace the secular Ba'athi regime—not with a democracy, but

with an Islamic republic similar to that of Iran. Both men failed. Saddam did because he did not offer the Shi'a real equality. Sadr failed because very few Sunnis were ready to give up their privileged positions in Iraqi politics and because they did not trust the Shi'a.

But history can be overcome. Take the example of the moderate Shi'a cleric Grand Ayatollah Allah Abu al-Qasim al-Kho'i (d. 1992), who was a "quietist" (one objecting to the clergy's close involvement in politics and thus opposed to theocracy). The Coalition forces must support such moderate Shi'a clerics indirectly through contributions and support for their social and educational institutions. In contradistinction, Sunni religious moderates are fewer and farther between. Very generally speaking, since the mid-1990s the gap between secular Ba'athi pan-Arabists and Sunni Arab Islamic fundamentalists has been closing. Today, many ex-Ba'athi are wearing beards and regularly attending mosques, not only to pray but also to plot against the Coalition forces. This fusing of Ba'ath types with groups like the Muslim Brothers or groups connected to Wahhabi Islam is most worrisome. The Islamicization of the Ba'ath party and the party's co-optation of Sunni Islamists must be ranked among Saddam's greatest successes, unfortunately for us. However that may be, it remains crucial in the time ahead to differentiate between radicals and moderates, and between their different types.

Over time, other elements of Iraqi civil society independent of the old regime will be restored. Already, more than a hundred privately-owned print and broadcast media have sprung up in Baghdad (which may be too much of a good thing). Still, as Braude points out, there is a good chance for a free and varied press in the new Iraq. Under the monarchy—and even under Generals Qasim and Arif—Iraq's press flourished, evincing a number of independent news-

papers that these governments did not favor but did not close either. (When papers were shut down, they came out the next day under a new name.) It appears that 35 years of Ba'athi rule has not stifled this trend. The Iraqi press will still be challenged not only to denounce political rivals but also old prejudices and hatreds.

Braude competently discusses Iraq's education system under Saddam. While it was greatly expanded, the curriculum also became extremely manipulative and politicized. Much class time was devoted to indoctrination. After the Gulf War, education ceased to be regarded as an asset as unemployment increased in the ranks of the educated and the salaries of the professional classes decreased sharply. Unfortunately, Braude fails to mention the most serious pedagogic consequence of the embargo years: the sharp drop in school attendance. All these ills will have to be corrected for the new academic year: new textbooks will have to be printed rapidly, teachers will have to be retrained. Braude correctly recommends that senior Ba'athi educators will have to be pensioned off, schools will have to be refurbished, and educational materials will have to be supplied in large quantities. All of these are huge and very costly assignments.

As for the question of whether madrassas ought to be allowed, Braude's answer is not clear-cut. Banning religious schools in Iraq is both impossible and dangerous. On the other hand, government support should be predicated on the acceptance of state guidelines, in particular the need to teach the natural, applied and social sciences, the humanities and English as well as a full Islamic curriculum. Failure to comply should result in a denial of funding, but not closure. At the same time, it should be made clear at the outset that graduates from religious schools that do not include the full array of secular subjects in their curricula will be unable to find employment in the pub-

lic sector, save as mosque functionaries. Hopefully this will limit the demand for such education.

The De-Ba'athification Question

BRAUDE DISCUSSES the future of the U.S. presence in Iraq. He fears, justifiably, that the United States may not have “the focus and commitment to the long haul that Iraq’s reconstruction requires.” At the same time, he recognizes, again justifiably, that an “imposing Western presence” will be unpopular in the region.

Yet it seems that Braude does not recognize the paradoxical nature of this situation. Many Shi’a clerics and community leaders currently organizing demonstrations against the American presence are also deeply aware that an early American withdrawal would result in a counter-revolution by Saddam’s men—and their vengeance would be unparalleled in Iraqi history. The old elite still has the organization, training, weapons and, crucially, the will. Should they fail, the country would certainly disintegrate, and the likely civil war would be horribly bloody. The Shi’a south could be cut off and, possibly, incorporated into Iran; the oil-rich Kurdish north could gain independence or possibly be annexed—*de jure* or *de facto*—by Turkey; the resourceless “Sunni triangle” would thus be left hanging in the middle of nowhere while Baghdad, a mixed city, would become the stage of inter-communal carnage. But if the Shi’a extremists realize all this, why do they persist in their demands for an immediate American withdrawal? The simple answer, which must inform all aspects of a serious consideration of Iraq, is that Iraqi political culture is characterized by an all-pervasive hypocrisy.

Unfortunately, Braude seems entirely unaware of this. In fact, since the 1920s most of the country’s political leaders have made use of the most inflammatory and

irresponsible nationalistic slogans in support of their careers. In response, the Iraqi people gave them their support. In no case did these men achieve even a tiny portion of what their jingoistic and inflated slogans promised, which resulted time and again in a backlash against the then-current group of demagogues. In turn, the people embraced another. The only exception to this rule was Saddam. While he could never keep to his wildly inflated nationalistic promises, he managed to prevent a backlash. When disorders did occur, Saddam put them down by using the most brutal sort of force on his own people—something his predecessors had been reluctant to do. It would seem that a number of Shi’a leaders, though clearly not most of them, are true disciples of Saddam in that respect.

Braude correctly points out that there is a real danger in a post-Saddam Iraq that pro-Ba’athi forces will continue to target political rivals in addition to American soldiers, but he offers no concrete advice on how to contain and defeat these forces. The solution is two-fold. For those already shooting, long prison sentences—or death by shootout—are the answer. For those not yet shooting and contemplating their future, one must be proactive. At a minimum, offer them a modest pension. After all, they did serve the state. In exchange they would provide information about their past career and present activities. The more information one has about them and their friends, the more likely one could pre-empt their turn to mischief. Obviously, those with provable blood on their hands (such as many former Republican Guardsmen) should be punished, but wholesale lustration is to no one’s benefit. However, if they were mid-level or senior professional Ba’athi operatives they must not be allowed to re-occupy any official positions of authority save in rare cases when their purely technical expertise is indispensable.

The Ba’ath party was composed of

four main levels. The bottom two were populated by survivors who joined out of necessity; the third is a mixed bag; the upper level, however, could only be attained by exceptionally active and dedicated party members. At minimum, this second group must be banned from public service. As for mid- and senior-level Ba'ath party apparatchiks, Braude suggests employing them in their previous positions if they prove effective. While this may be exceptionally necessary, it is not desirable. Vigilance is required, as a constant undermining of the new Iraq—even sabotage—could be seen as preferable to constructive participation in a regime considered illegitimate. Another reason to have a policy of exclusion as the default position is symbolic. Any other approach would send the wrong message to the Iraqi people—namely, that the old regime is back under a different guise.

The goal is elementary: co-opting the old guard's loyalties, or, put differently, tying them to the new regime. To succeed, the new Iraq must keep tabs on the old guard while making sure that its adherents have something to lose. If this is not done, total alienation, and the desperation and wrath that follows, is likely to result in attempts at sabotage—even in the creation of an underground armed movement—that could act both as political opposition and economic mafia. In the best case, those involved with this last sort of activity will transform themselves, over time, into the entrepreneurial class; but for now they need to be watched closely. This brings us to the question of what to do with those who served in the regular army.

The average Iraqi foot soldier feared and hated the Saddam regime and the military obligations that were par for the course. These ex-soldiers should be screened, and about 50,000 of those vetted should be offered the option to return to military service with a reasonable salary. A similar number of ex-army soldiers should be drafted into the new police force. They

know how to use weapons, are used to discipline and could be trained in civilian policing skills and tactics. Teaching ignorant soldiers how to operate as sophisticated policemen in a democratic system, though, is not a simple job.

Braude's suggestion of a 150,000-man future army makes sense only in the long term. At present 50,000 should suffice—Braude does acknowledge this as an alternative, noting, rightly, that it would work only with an American security guarantee. As Braude suggests, the army can participate in and even lead the reconstruction effort. Braude further recommends joint exercises with Coalition forces, and the eventual integration of the various Kurdish militias into the army. While a separate militia may exist for a few years, Kurds who are joining the national army must be fully integrated into it, for it is not wise to keep separate Kurdish units within the army even as a stop-gap solution. When a national army is born, it must be just that: national, not fractured along communal lines.

Though it can indeed facilitate national (re-)integration, I doubt the army can educate toward entrepreneurship, as Braude hopes. No army has ever been able to do that, unless one considers the top echelon of officers—those who gain experience in management and large-scale organization. The army can, however, serve as a training ground for leadership, and it can provide skills that can later serve the retirees in civilian capacities. Though Braude thinks the Iraqi army should immediately become a volunteer-only force, it is necessary within a few years, in the interest of long-term national integration, for every able Iraqi man of age to serve as a conscript for one year.

An often underappreciated fact is that Iraq's regular army was less political than any other organization, which means that it is now much less tainted with the stain of the past. Restoring the army's ranks will keep tens of thousands of young men with

military proficiency out from under the influence of radicals, provide them with respectable livelihoods and make them effective guardians of the new regime.

Another target for de-Ba'athification is the Iraqi legal system, which should be cleansed of corruption and modified in accordance with internationally accepted principles of jurisprudence. Thankfully, one does not have to begin from scratch. Some judges, for starters, are thought to be decent and fair. After a careful vetting process, they ought to be reintegrated into the justice system.

Moreover, the 1969 penal code largely can be relied upon except for a few additions from the 1980s and 1990s in which Saddam attempted to incorporate elements of *sharia* into a secular code. For example, the punishment for theft became the severing of the right hand, a man was given the right to beat his wife, and the practice of "honor killing" was sanctioned in certain cases. Contrary to many other regimes in the Arab world, early on, Saddam's regime sometimes took equal rights for women seriously. The 1963 Law of Personal Status, which granted certain fundamental legal rights to women, was never repealed, as Braude says, and additions and amendments dating back from 1978 and the early 1980s improved the status of women even further. Legally, women are still not fully equal to men in Iraq (two examples: inheritance laws and status of women soldiers), but boldly pushing for this issue now would be imprudent, for it would risk sparking deep resentment among Iraqi men.

The Economic Angle

THE BA'ATHI regime's fiscal arbitrariness was so extreme that business decisions could hardly be made and personal economic security for the vast majority was seldom within reach. Take, for example, Saddam's decision in 1995 to abolish all the Swiss-printed 25

dinar notes. People who had saved huge quantities of these notes because of lack of confidence in the banks were immediately ruined if they could not change them in four days.

Braude's overall description of the ills of the business community under the Ba'athi regime is convincing but flawed in places. For example, Saddam's policy of economic openness (*infitaḥ*), announced in 1987, did not, as the author claims, successfully resuscitate Iraq's economy. The money-making government assets that were privatized were sold to the regime's favorite clients, and the losing businesses found no buyers. A case in point is Iraq Airlines: Braude notes that it was offered for sale but fails to mention that, because no one bought it, it remained the property of the state. Furthermore, as Braude correctly indicates, any businessman who did not have a senior Ba'athi protector had to keep out of sight. Otherwise he would be harassed and even destroyed by the various intelligence apparatchiks who demanded protection money. This reached such drastic proportions that Saddam himself even complained that his *mukhabarat* was unnecessarily breathing down the neck of the business community. There was no chance that this sort of *infitaḥ* would succeed!

Many government assets belonged to Saddam's family. They even controlled the monetary printing presses, which they used to print billions of dinars for their private coffers from 1994–5. Senior Ba'athis went into all sorts of partnerships with private businessmen, creating instant fortunes for both sides. Bribery became the norm for acquiring business permits from the government, and smuggling became a thriving business. The only necessary precaution for engaging in such work was taking care not to compete with the business interests of Saddam's family. For this the punishments were swift and severe: Uday once hanged some forty merchants in Shorja Market in the mid-1990s because they dared compete with him.

Iraq's black market economy was, and still is, endemic. Although Braude provides a good description of the problem, his solution is less clear. Involving the international business community in investments and partnerships is of course desirable, as is the general hope to turn Iraq into a powerhouse of trade and banking, but how can this be accomplished? Iraq's business tradition is mostly still alive and certainly an important asset, but forty-odd years of socialistic backwardness has made Iraqis too dependent on the state for everything from jobs to food rations. Government subsidies were huge, and they will have to be continued for a few years. At present, it is unclear which inclination will win over: Iraq's traditional entrepreneurial spirit or the messy mixture of socialism, nepotism and corruption it experienced under Saddam.

What may aid Iraq's economic recovery, as Braude mentions, is the country's relatively educated and skilled labor force. A factor that may complicate this process, however, is that Iraq does not have the "developed industrial backbone" that Braude insists it does. Phosphate mining and the petro-chemical industry aside, Iraq's heavy industry—what is left of it anyway after two wars and 13 years of sanctions—is largely useless and liable to lose colossal amounts of money. Though Iraq's oversized weapons industry, which was developed purely for national security reasons, is probably one of the world's largest, it still cannot compete successfully in the world market. Putting these production lines to civilian uses would be both extremely difficult and expensive.

Iraq's oil production is essential for recovery, of course. But the best that can be realistically hoped for would be bringing the country's production level up to four million barrels a day within three or four years, which is going to cost around \$10 billion. To reach six million barrels a day will cost \$40 billion, more than is affordable under present conditions.

Additionally, as Braude notes, Iraq will indeed have to reach an agreement with OPEC that allows the country to sell as much oil as it can produce. But OPEC is not known for its altruism, and Iraq may be compelled to leave the organization. Even if the country substantially increases its oil production, however, the new Iraq will not have sufficient funds for recovery without debt forgiveness and payment rescheduling. Here, the Arab Gulf states must show the way, and the Paris Club should soon follow suit. But it should certainly be noted that foreign investment in any sector of the Iraqi economy is unlikely without marked improvements in security and stability.

Braude correctly emphasizes the problem of the "cats of the embargo", those entrepreneurs close to the regime who manipulated the system to establish lucrative illegitimate businesses and smuggling networks. These same people also manipulated the United Nations Security Council-mandated "Oil for Food" program: serving as middlemen for reselling much of what Iraq received for their own enrichment. It is unclear from Braude's book how he thinks these people could be persuaded to pursue legitimate business activities. Co-opting them is crucial because they are most likely to team up with ex-Special Republican Guard officers to establish mafia organizations and smuggling networks. New police forces and border guards could certainly help the situation but would not solve the problem.

Though Braude remains silent as to a viable plan of attack, the only real solution lies in the successful cultivation of a rational economy. If an Iraqi farmer is paid a fair price for his products, there is no need to smuggle it abroad. Some "cats" are already involved in agriculture, and they need no government support. Those who desperately do need it, however, are Iraq's small and middle-sized farms. Farmers will have to be taught new

agricultural techniques, and agricultural machines will have to be imported.

A rational customs policy can help, too. Now that imports into Iraq are fully legalized by the United Nations, customs costs should be reduced to make cross-border smuggling less profitable. A system of small government loans could perhaps be introduced to encourage Iraqi entrepreneurs to invest in small businesses. Braude is correct that breaking down the old cartels is crucial, but he does not offer practical advice as to how. This task will not be easy because enactment alone will be insufficient. Turning Iraq into the hub of commerce and storage of which Braude speaks so longingly depends on the substantial enlargement of the ports at Basra and Um Qasr. This, in turn, requires extensive bilateral understandings with Iran (for Basra) and Kuwait (for Um Qasr) before any of the costly and extensive work can be done to modernize these ports. Last but not least, if Iraq wishes to compete with the Gulf emirates as a commercial hub, it must achieve not only stability and safety, but also logistical flexibility and bureaucratic procedures. This all depends on how successfully Iraqis can overcome the socialist economic behavior to which they grew accustomed under Ba'athi rule.

Knowing this, the Coalition must resist the temptation to enact immediate, large-scale privatization of state-owned assets in an effort to stimulate economic growth and capitalist thinking. Such a policy could turn disastrous, as it did in Russia after the collapse of communism. Just as in that case, those individuals and companies who would buy up lucrative public assets would be the old elite: senior and mid-level Ba'athi officials who managed to hoard massive amounts of capital during Saddam's reign. The result would be an increase of influence among the old guard and tremendous bitterness among the general public. If Iraq is not to follow in the disastrous footsteps of other countries that

attempted the transition from socialism to capitalism, the Coalition authority must proceed slowly with a carefully monitored process of economic privatization. Or has history taught us nothing?

IN THE FINAL judgement, *The New Iraq* is a useful book, but not without flaws. On the one hand, Braude has good instincts on the direction the new Iraq should take. On the other hand, his lack of analytic thoroughness and historical perspective damages his book's seriousness and credibility. In practice, this means that Braude can present a hopeful and positive vision for a post-Saddam Iraq without having to bother very much with the huge obstacles standing in the way of such a hopeful future. While I, too, believe that there is hope for Iraq, *The New Iraq* simply does not do justice to the fact that, as Fouad Ajami recently put it in another foreign affairs magazine, Iraq was—and I think remains—a symbol of “the region's age-old prohibitions . . . , defects [and] phobias.” Only a careful examination and analysis of the obstacles that stand in the way of a peaceful and democratic—or, at least, a much more representative—Iraq will produce a country that can have a fighting chance to succeed. *The New Iraq* makes a useful contribution towards the success of this ambitious project, but more is needed.

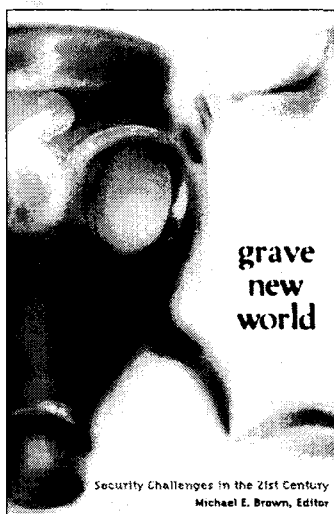
As for the new Iraq itself, failure will mean a premature Coalition withdrawal that will very likely lead to disintegration, anarchy, bloodletting and even more world terrorism. Success will mean shattering, for the first time, the chain of Arab authoritarian-dictatorial regimes that have bred corruption, xenophobia and international adventurism. The stakes are enormous—and failure is not an option. □

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The Shareholder Model

Making America's Global Leadership More Effective

Nikolas K. Gvosdev

IRAQ HAS demonstrated both the extent and the limitations of American power. The relatively swift ground campaign reinforced the lessons of the first Gulf War, Kosovo and Afghanistan: the United States possesses unparalleled military might and can bring overwhelming force to bear on any opponent. This is not, however, the whole story, for America's unchallenged military supremacy has not enhanced its ability to create and sustain broad international coalitions to pursue its long-term agenda. Realists understand the need to attract "investors" in continued American leadership, rather than relying on military pyrotechnics to produce consensus. Therefore, Washington must make it clear, not only through words, but through concrete actions, that other states have a stake in the international system and in the agenda that America sets. This does not mean that the United States offers other actors veto power over American policy. The United States must act, unilaterally if necessary, to protect its vital interests. But it does mean recognizing that "to get along, go along"—that other states are likely to accede to American leadership if their interests are bound up with ours and if they believe

that acceding to Washington's requests enhances their own interests.

Last year, it seemed that the Bush Administration was prepared to follow this strategy in dealing with Iraq, giving other important actors a stake in removing the threat of a WMD-armed Saddam Hussein. In fall 2002, Washington had succeeded in crafting UN Security Council Resolution 1441, which declared Iraq to be in "material breach" of its cease-fire obligations, provided for a much more intrusive inspections regime and gave Iraq "a final opportunity to comply with its disarmament obligations" or face "serious consequences" in the event of noncompliance. This resolution passed by unanimous vote in the Security Council and was a major victory for American diplomacy. Moreover, Resolution 1441 signaled that the other major powers were prepared to accept American leadership in resolving the Iraqi problem.

But 2003 witnessed one setback after another. Idealistic rhetoric about justice and freedom for the Iraqi people found only a limited audience overseas, primarily among some segments of the Labour Party in Britain and among some politicians from "New Europe." In many countries, both the political establishment and mass public opinion reacted skeptically to such claims. Other states also disputed the American contention that Iraq posed an imminent threat to regional and global

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security—and Washington was unable to persuade them to adopt its own view.¹

Instead, calls were made for the inspection process to continue, for months or even years if necessary, to locate and destroy any remaining weapons of mass destruction. Washington's attempts to secure a second Security Council resolution explicitly authorizing the United States and other states to use force to secure compliance collapsed.

What made this setback even more galling for the administration is that it was long-time NATO allies France and Germany that led active European opposition to a U.S. war with Iraq. Their resistance provided the cover for other states, such as Russia and Turkey, to declare their reluctance to endorse a military solution for Iraq. Even rotating Security Council members with no direct stake in the crisis—such as Mexico and Chile—sent signals that they would oppose a second resolution authorizing the use of force.

Pundits spilled gallons of ink lambasting the cravenness, cowardice and greed of our supposed partners in abandoning us in our hour of need. But all of the available evidence suggests that these parties acted reasonably. Most other states that were invested in the notion of containing and disarming Saddam Hussein were not so invested in the prospect of regime change. Some states were genuinely concerned that the United States would be unable to prevent Iraq from breaking up in the wake of a forcible change of regime, further destabilizing the region, or that regime change would bring an even worse alternative to power. Other states had conditions for their support (increased amounts of aid, playing a role in the postwar administration of the country, having definitive ideas about the composition of a new government or enforcement of existing contracts).

In the end, the Bush Administration made a conscious choice to retain its free-

dom of action to act as it saw fit with regard to Iraq, declining to accept help that might come with strings that Washington might find too constricting. This is an understandable position. It is equally understandable, however, that other actors saw no reason to lift any of the burden of the Iraq operation from Washington's shoulders, with the exception of Britain and Australia.

This pattern has repeated itself in the postwar period. Many states have shown little interest in providing concrete support in terms of personnel and material for an American-directed and controlled reconstruction of Iraq. Despite repeated requests to a number of countries—particularly those with significant peacekeeping and humanitarian-reconstruction expertise, including Muslim countries—most have declined to provide assistance unless the U.S. occupational administration is significantly “internationalized”, with a greater role being played by the United Nations. In the wake of the late August suicide bombing at the UN's Iraq headquarters (and the exodus of humanitarian personnel that it has caused), the Bush Administration revived efforts to seek a new Security Council resolution to do just that. Yet similar efforts over the last few months have been stymied because of significant gaps between the authority the United States is willing to concede and the demands of other countries for substantive power-sharing arrangements in the reconstruction effort.

¹Speaking at a symposium last December at The Nixon Center, Ambassador L. Paul Bremer III advised, “During the Reagan Administration, prior to the cruise missile deployments, we sent high level emissaries to Europe accompanied by intelligence officers bearing classified material on the Soviet threat to share directly with decision-makers in Europe. This is the approach that ought to be taken.” (<http://www.inthenationalinterest.com/Articles/Vol1Issue14/Vol1Issue4Symposium.html>)

ALL OF THIS raises the question: Has the run-up to the war in Iraq and its aftermath produced the long-anticipated “crisis” in which other states are coming together to oppose American predominance in the world? Does this mark the end of the “unipolar era”?

Certainly, other states recognize the value of American leadership in maintaining an “international system, which provides for open seas, open trade and open societies lightly defended.”² Very few countries would consider it to be in their interest to see the United States disengage from the world, especially if the alternative would mean a resumption of regional rivalries, destabilizing arms races and accelerating tensions. Even China, which for several decades rejected the legitimacy of the postwar international system, has found that its “market-oriented reforms and growing economic interdependence, both regionally and globally, have begun to challenge these principles.” Beijing has found that it too benefits from an American-led international system that has enabled it to modernize and develop via free trade with other states, especially the United States. As a result, some within the Chinese foreign policy establishment are calling for Beijing to “forge a new type of security relationship with the United States.”³

But the crisis over Iraq has demonstrated the limits of unilateral American action and has highlighted the importance of the *quid pro quo* in conducting diplomacy. If other countries lack a stake in a particular outcome desired by Washington, or, more importantly, if they see nothing specific to gain by placating the United States on a particular issue, they will not support U.S. actions. Clearly, this was the case with Iraq, even more so because the White House itself signaled to its partners that “[n]o matter what position they take” on the Iraq issue, “we will continue to have important relations with them

beyond any decisions that are made.”⁴

Moreover, it is clear that other countries used the Iraq issue as a way to settle simmering scores with the United States, a number of which have been documented in the pages of this magazine over the last several issues. For example, why should the administration have assumed that Mexican support for a second UN resolution was a sure bet when Mexico did not get the deal it was seeking with the United States on immigration, an agreement upon which President Vicente Fox had staked the credibility of his administration? In the case of Russia, those in the foreign policy establishment who maintained that opposing the Iraq war would help to cement political and economic ties to Europe—Russia’s primary source for investment, capital and trade—and might strengthen the appeal of pro-government parties in the forthcoming Duma elections, won out over those who sought to salvage the partnership with the United States, especially when they were unable to demonstrate what concrete benefits support for Washington in this matter would bring to Russia.⁵ The message consistently heard in other capitals was that Washington was unable or unwilling to overrule its domestic lobbies to take into account the interests of other countries. This, in turn, weakened the position of pro-American officials in foreign governments who argued for cooperation with the United

²Charles Krauthammer’s comment in the Foreign Policy section of the symposium, “After September 11: A Conversation”, *The National Interest* (Thanksgiving 2001), p. 68.

³Pang Zhongying, “Some Points on Understanding China’s International Environment”, *In the National Interest*, vol. 1, no. 6 (October 16, 2002).

⁴Comments made by Ari Fleischer on March 5, 2003.

⁵Paul J. Saunders, “The U.S. and Russia After Iraq”, *Policy Review*, no. 119 (June/July 2003).

States (particularly with regard to Iraq) despite potentially negative domestic consequences for such support.

A country may earnestly desire to be a partner of the United States, but this in no way means that it ceases to pursue its own national interests. Indeed, its very desire to seek closer relations with Washington is based on an assessment that such an arrangement will be beneficial (greater access to U.S. markets, extension of the American “security umbrella” to encompass the given country, and so on). Historically, the United States has offered alliance on easy terms, placing few demands on its partners and preferring to see them “as a pool of potential volunteers rather than conscripts to its cause”, as Lord Black noted in his article earlier in this issue. Yet there comes a point when an ally or partner of the United States must assess whether support for the United States and the pursuit of its national interests are compatible—and one way to resolve this question is to examine the diplomatic balance sheet.

Returning to the case of Russia, President Vladimir Putin has faced vociferous criticism for a number of the steps he has taken in support of the United States. Sharing intelligence, paving the way for the deployment of U.S. forces in Central Asia to support the campaign in Afghanistan, closing down intelligence and military outposts in Vietnam and Cuba—all of these were unprecedented steps for a Russian leader to take. Not even Boris Yeltsin, often viewed as a more “pro-American” leader than Putin, would have had the political will to undertake such measures. Yet many Russians believe they have received little in return from the United States. Americans point to the destruction of the Taliban regime as proof of the benefits Russia has received—for the Taliban was arguably one of the greatest threats to Russia’s national security, given its sponsorship of Islamic radicalism

in Central Asia. Russians respond that the United States moved to remove the Taliban only after the September 11 demonstrated that the terrorist haven Afghanistan had become could lethally injure the United States as well. On a whole host of other issues, ranging from Russia’s trade with Iran to the import-export squabbles over chicken and steel, it is clear that the U.S.–Russian relationship lacks a framework that would help set priorities and fully vest Russia within the U.S.-managed international system.

Instead, it appears that the United States does not know how to deal with a Russia that defines its national interest in terms of remaining Eurasia’s metropolitan power. One Russian commentator observed: “The United States has no need for the revival of a strong Russia, whether or not it is a democratic Russia.”⁶ Does the acquisition of economic assets in Serbia, Georgia, Romania, Hungary, Ukraine or Lithuania by Russian firms constitute a serious threat to the security of the United States or affect its ability to pursue its core interests? Does Russia’s retention of bases in Armenia or Kyrgyzstan or its attempts to modernize its military upset the balance of power? Given Russia’s size and its economic potential, it is to be expected that Russia will play a leading role in Eurasia. Certainly it is in American interests to ensure that the other states of the former Soviet Union are not forcibly reintegrated with Russia or that Moscow does not seek to destabilize or intimidate these governments. But for the United States to insist that Russia has no legitimate political, economic or security interests in the countries that lie on its borders—and to actively try to block Russia’s pursuit of those interests by legitimate means—is both unreasonable and counterproductive. So, when Washington “expresses

⁶Vitaly Tretyakov, *Rossiiskaya Gazeta*, October 8, 2002.

concern” over the Russian acquisition of energy companies in Georgia, refineries in Lithuania and pipelines in Bulgaria, its protests over the sales of nuclear equipment to Iran do not sound any more urgent to Russian ears. Despite the rhetoric of partnership, Russia still is not sufficiently invested in outcomes desired by the United States in places like Iraq and Iran—where vital interests are at stake—in part because the United States has not made it clear that key Russian interests are of concern to Washington.

This is the biggest challenge facing the United States: conceptualizing its interests in order to create a hierarchy of foreign policy priorities. Too often since the end of the Cold War, the United States has adopted a “Christmas tree” approach to foreign policy—hanging all sorts of conditions (oftentimes very minor or petty issues) as a price for other states to pay for the continuation of normal, bilateral relations.⁷ This has to change. Two years ago, Dimitri K. Simes advised, “The United States . . . needs to be flexible, creative and realistic in establishing its priorities and addressing seriously the unpleasant but inevitable trade-offs that arise among conflicting policy objectives.”⁸

This includes setting out targeted goals and searching for the tools to achieve them. One of the problems with depending on *ad hoc* “coalitions of the willing” to pursue U.S. interests is that there is no guarantee that other coalition partners will supply adequate amounts of troops, equipment or money to ensure equitable burden-sharing. In contrast, focused and specific agreements with other countries—laying out not only specific duties but also the benefits both parties expect to receive—would better serve our interests.

In the weeks and months ahead, this may be the strategy we will need to pursue in order to achieve our goals in Iraq,

which, unfortunately, still remain inchoate at the time of this writing. For example, if we cannot establish a stable democracy and withdraw U.S. forces in the shortest possible amount of time, will we choose to empower an autocratic regime capable of implementing gradual reforms, or will we commit to a long-term deployment of U.S. forces to Iraq for “as long as it takes?” If we cannot have an effective Iraqi leadership that is also unfailingly pro-American, do we want effective rulers capable of holding the country together, or weak but pro-American leaders who may end up presiding over a failed state? What do we need from countries like Russia (UN Security Council support), India (large numbers of peacekeepers) or Germany (financial contributions), and what are we prepared to offer in exchange?

Foreign policy need not become an “Oriental bazaar” (in Putin’s words), but the rules of the marketplace apply no less to the conduct of international affairs as they do to business transactions. The United States may believe that its causes are just, but it must provide incentives nonetheless for its partners to join in shared enterprises. If other states are invested in continued American leadership of the international system, it becomes their national interest to have that leadership be successful. If the United States fails to make other countries shareholders, however, not only will its leadership appear bankrupt, it will become increasingly difficult to secure its vital interests. This is no way to run a profitable international order. □

⁷David M. Lampton discusses this tendency in the Sino-American relationship in his article that appears in this issue.

⁸Simes, “What War Means”, *The National Interest* (Thanksgiving 2001), p. 41.

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“Vogue and influence”

— *The New Yorker*

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“NO PEACE PROCESS can be had on the cheap.”

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“THE LATENT FISCAL crisis of the American welfare state implies, at best, an empire run on a shoestring, at worst a retreat from nation-building as swift as the original advance towards it.”

—*Niall Ferguson & Laurence J. Kotlikoff*

“IF GERMANY IMPAIRS its alliance with the United States, especially under the dubious enticements of the French, it would be colossally stupid, though, by German historical standards, well short of a catastrophe.”

—*Conrad Black*

“SHOULD THE FORCES of fanaticism prevail in these postwar struggles, the theological iron curtain will undoubtedly descend, and behind it, terrorism will fester.”

—*Senator Joseph Lieberman*

“IF THE BUSH TEAM seeks a meaningful diplomatic dialogue with Iran, it will soon find a relatively reasonable interlocutor.”

—*Ray Takeyh*

“BRINKSMANSHIP MAY now be necessary to call North Korea's bluff and bring its behavior into line, for the risk-averse Kim seems likely to blink.”

—*Ian Bremmer*

“AMERICANS MUST balance the impulse to treat China as it is with the foresight to recognize China for what it may become.”

—*David M. Lampton*

“DRAWING SHARP legal distinctions between lawful and unlawful forms of combat in an effort to delegitimize and stigmatize unprivileged combatants is an indispensable component of any successful counter-terrorism strategy.”

—*David B. Rivkin, Jr. & Lee A. Casey*